



Notice of a meeting of Cabinet

Friday, 24 February 2017

4.00 pm

Municipal Offices, Promenade, Cheltenham, GL50 9SA

Membership	
Councillors:	Steve Jordan, Flo Clucas, Chris Coleman, Rowena Hay, Peter Jeffries, Andrew McKinlay and Roger Whyborn

Agenda

		SECTION 1 : PROCEDURAL MATTERS	
1.		APOLOGIES	
2.		DECLARATIONS OF INTEREST	
3.		MINUTES OF THE LAST MEETING Minutes of the meeting held on 7 February 2017	(Pages 3 - 8)
4.		PUBLIC AND MEMBER QUESTIONS AND PETITIONS These must be received no later than 12 noon on Monday 20 February 2017.	
		SECTION 2 :THE COUNCIL <i>There are no matters referred to the Cabinet by the Council on this occasion</i>	
		SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEE <i>There are no matters referred to the Cabinet by the Overview and Scrutiny Committee on this occasion</i>	
		SECTION 4 : OTHER COMMITTEES <i>There are no matters referred to the Cabinet by other Committees on this occasion</i>	
		SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS	
5.		FINAL GENERAL FUND REVENUE AND CAPITAL BUDGET PROPOSALS 2017/18 (INCLUDING SECTION	(Pages 9 - 70)

		25) Report of the Cabinet Member Finance	
6.		FINAL HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS 2017/18 Report of the Cabinet Member Finance	(Pages 71 - 86)
		SECTION 6 : BRIEFING SESSION • Leader and Cabinet Members	
7.		BRIEFING FROM CABINET MEMBERS	
		SECTION 7 : DECISIONS OF CABINET MEMBERS Member decisions taken since the last Cabinet meeting	
		SECTION 8 : ANY OTHER ITEM(S) THAT THE LEADER DETERMINES TO BE URGENT AND REQUIRES A DECISION	

Contact Officer: Rosalind Reeves, Democratic Services Manager, 01242 774937
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Cabinet

Tuesday, 7th February, 2017
6.00 - 6.30 pm

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

Minutes

1. **APOLOGIES**
There were no apologies.
2. **DECLARATIONS OF INTEREST**
There were no declarations of interest.
3. **MINUTES OF THE LAST MEETING**
The minutes of the last meeting were approved and signed as a correct record.
4. **PUBLIC AND MEMBER QUESTIONS AND PETITIONS**
There were none.
5. **FINAL GENERAL FUND REVENUE AND CAPITAL BUDGET PROPOSALS 2017/18 (INCLUDING SECTION 25)**
RESOLVED THAT

This item be deferred until 24 February Special meeting of Cabinet
6. **FINAL HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS 2017/18**
RESOLVED THAT

This item be deferred until 24 February Special meeting of Cabinet
7. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2017/18**
The Cabinet Member Finance introduced the report which had been circulated with the agenda. She explained that the council under the CIPFA code must report annually on its treasury management strategy statement and its prudential indicators and the report incorporated the annual investment strategy which is also a requirement.

The Treasury Management Panel (TMP) had recommended that Cabinet

approve this report and forward it to Council. The treasury & annual investment strategy statements were clearly set out in Appendix 2, and the Minimum Revenue Provision at Appendix 4.

She highlighted the revisions made to the lending list in Appendix 3 and the use of Repo/Reverse Repo as a form of securitised lending and was pleased that this had the support of the TMP.

She gave thanks to council officers and advisors for their achievements. Since the budget monitoring report in September the investment income had improved for 16/17 and was currently showing as a £12,800 surplus above the budget.

The Cabinet Member Healthy Lifestyles asked whether given that PWLB rates were rising gently and the volatility of the current international financial situation, would it be a good time for the Council to use PWLB to make investments in Cheltenham to meet the requirements of the town and the council. The Section 151 Officer advised that this would be possible but there had to be an evidenced need for borrowing based on incurred or imminent capital expenditure and the council could not make a speculative application.

RESOLVED THAT

Council be recommended to approve the attached Treasury Management Strategy Statement, Annual Investment Strategy for 2017/18 at Appendix 2, 2017/18 Lending list at Appendix 3 and MRP policy statement for 2016/17 and 2017/18 at Appendix 4, including :

- **The general policy objective ‘that Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.**
- **That the Prudential Indicators for 2017/18 including the authorised limit as the statutory affordable borrowing limit determined under Section 3 (1) Local Government Act 2003 be approved.**
- **Revisions to the Council’s lending list and parameters as shown in Appendix 3 are proposed in order to provide some further capacity. These proposals have been put forward after taking advice from the Council’s treasury management advisers Capita Asset Services and are prudent enough to ensure the credit quality of the Council’s investment portfolio remains high.**
- **The use of Repo/Reverse Repo is accepted as a form of securitised lending.**

For 2016/17 and 2017/18 in calculating the Minimum Revenue Provision (MRP), the Council will apply a modified Option 1 in respect of supported capital expenditure to repay the debt in equal instalments over 35 years and Option 3 in respect of unsupported capital expenditure, adjusted from 2017/18 by the use of capital receipts to repay debt associated with capital loans as per paragraph 24 in Appendix 4.

8. BUDGET MONITORING REPORT 2016-17-POSITION AT DECEMBER 2016

The Cabinet Member Finance introduced the third financial monitoring report giving the position statement for the financial year 2016/17. The purpose of the report was to notify members of any known significant variations to budgets for 2016/17 and highlight any key issues.

The table at 2.1 summarised the net impact of the variances identified at this stage in the financial year, for anything over 50K and areas with volatile income trends.

With regard to the Housing Revenue Account (HRA), the final budget report for 2017/18 showed the revised forecasts for the current year updated to December 2016. The only amendments to the October figures were a further anticipated saving of £49,600 on repairs and maintenance. Overall capital expenditure was expected to be £74,500 lower at £11,583,100, reducing revenue contributions by the same amount. These variations increased the forecast revenue reserve at 31st March 2017 by £124,100 to £6,176,100.

The monitoring report for the collection of council tax and business rates (NNDR) income was shown in Appendix 5 and indicated the position at the end of December 2016 and the projected outturn for 2016/17.

In conclusion, the net effect on the general fund of the variances reported was a forecast net underspend against the budget of £110,737 for 2016/17. The continued impact of the changes in government funding arrangements and the economic climate presented particular concerns for the Council's budgets. It was clearly important to ensure that budgets continued to be closely monitored over the coming months with a view to taking action at a future date, if necessary.

Cabinet and Council would decide in July 2017, when the outturn is finalised, how to apply any potential further savings. However it was recommended that any underspend identified on outturn be transferred firstly to the Budget Deficit (Support) Reserve and secondly to support general balances, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding future budget funding gaps, as outlined in the Council's Medium Term Financial Strategy report.

The Cabinet Member Healthy Lifestyles commended the council tax officers for their sterling work in maintaining the high rate of collection referred to in Appendix 5.

The Leader commended the excellent financial control which the report demonstrated by officers across the council.

RESOLVED THAT

- 1. the contents of this report including the key projected variances to the 2016/17 budget and the expected delivery of services within budget be noted.**

2. the budget virements to the 2016/17 budget, as detailed in Appendix 7 be approved.

3. Council be recommended to approve a contribution of £110,737 to the Budget Deficit (support) reserve, as detailed in paragraph 10.1.

9. REVIEW OF HACKNEY CARRIAGE FARES

The Cabinet Member Built Environment introduced the report which explained that section 65 of the Local Government (Miscellaneous Provisions) Act 1976 permitted the council to set fares for hackney carriage or taxi vehicles licensed by it. The council had adopted a fare formula which was used annually to calculate the running costs of a licensed hackney carriage vehicle. He highlighted that there had not been a fare increase since November 2013 as the calculated increases would be too small to be practically reflected. However the cumulative percentage increase since the last fare adjustment in 2013 had resulted in a proposed 6% increase. The report asked Cabinet to approve readjustment of the current maximum fares and the new tariffs which were set out in Appendix 2.

RESOLVED THAT

1. the proposed maximum fare increase for hackney carriages be approved; and

2. authority be delegated to the Director of Environment to carry out the necessary advertising requirements to comply with section 65 of the Local Government (Miscellaneous Provisions) Act 1976; and

3. Subject to there being no substantive amendments being made following consultation, authority be delegated to the Director of Environment to adopt the proposed fares.

10. BRIEFING FROM CABINET MEMBERS

The Cabinet Member Corporate Services was pleased to announce that the council had been successful in its recent reassessment for Investors in People and had retained its award. This was important as it demonstrated that the council considered its staff to be its biggest asset and invested in them accordingly. It would be reassessed in three years time.

The Cabinet Member Built Environment announced that the Cheltenham Local Plan had been put out for informal consultation over the next six weeks. This document sat beneath the Joint Core Strategy which would be debated at Council on Friday. This was an opportunity for residents to put forward their views on the draft document before the formal consultation and he encouraged everybody to give their feedback by following the link on the council's website.

The Cabinet Member Housing indicated that he would be attending an important affordable housing conference on Friday and therefore would be giving his apologies for Council. He updated members on his recent first-hand experience of rough sleeping in Cheltenham and he was pleased that this had helped to raise awareness of the current crisis across the county with strong support from local media. It had provided him with a good insight of the issues and problems and he would share his ideas with colleagues at a future date

once he had had time to reflect on his experience.

The Cabinet Member Healthy Lifestyles noted that the Public Art Strategy for Cheltenham was currently being reviewed and one of her aims was that it should celebrate the achievements of legendary females which was currently lacking. She advised that plans were being drawn up for a revamp at Leisure@ which would be reported to Council in March. She hoped that the project could then move forward as it would have a major benefit for families in the town.

The Leader announced that the government had launched a White Paper on housing and commended the Cabinet Member Housing for highlighting the rough sleeping issue. He referred to the imminent retirement of Rob Bell and wished to formally note the council's thanks for the huge amount of work that he had done for the council and for the town in both his previous role and in his current role as Managing Director of Ubico.

11. CABINET MEMBER DECISIONS TAKEN SINCE THE LAST MEETING OF CABINET

13/12/16	Cabinet member Clean and Green Environment	Procurement of kerbside sort recycling vehicles
13/01/17	Cabinet Member Finance	To appoint Emmdee Electrical to upgrade lighting and electrical infrastructure within communal areas of CBC sheltered accommodation and general needs block of flats
23/01/17	Leader	Appointment of new Managing Director of Ubico Limited
3/02/17	Leader	Ubico Ordinary Resolution-extension of the existing arrangements with various support service providers for 12 months

12. LOCAL GOVERNMENT ACT 1972 - EXEMPT BUSINESS

13. EXEMPT MINUTES

The exempt minutes of the meeting held on 13 December 2016 were approved and signed as a correct record.

Chairman

Cheltenham Borough Council

Cabinet – 24th February 2017

Council – 24th February 2017

General Fund Revenue and Capital – Revised Budget 2016/17, and Final Budget Proposals 2017/18

Accountable member	Cabinet Member for Finance, Councillor Rowena Hay
Accountable officer	Section 151 Officer, Paul Jones
Accountable scrutiny committee	Overview and Scrutiny Committee and Budget Scrutiny Working Group
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the revised budget for 2016/17 and the Cabinet's final budget proposals and pay policy statement for 2017/18.
Recommendations	<p>Cabinet / Council</p> <ol style="list-style-type: none"> 1. Note the revised budget for 2016/17 and approve the recommendation of the Section 151 Officer to transfer the identified saving of £110,737 to the budget strategy (support) reserve as detailed in Section 3.1. 2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations. 3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £197.12 for the year 2017/18 (an increase of 2.60% or £5.00 a year for a Band D property), as detailed in paragraphs 4.37 to 4.42. 4. Approve the growth proposals, including one off initiatives at Appendix 4. 5. Approve the savings / additional income totalling £1,408,700 and the budget strategy at Appendix 5. 6. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 6. 7. Award temporary business rates relief for local newspapers for up to two years from April 2017, as set out in paras 4.30 to 4.33, subject to full reimbursement from the Government and the award of such relief is delegated to the Revenues Manager. 8. Note that the Council will remain in the Gloucestershire

business rates pool for 2017/18 (para 4.26).

- 9. Approve an above inflationary increase in cremation fee (estimated to generate additional income of £373,550) with a corresponding contribution to the budget strategy (support) reserve, as detailed in paragraphs 6.10 to 6.13.**
- 10. Approve the Pay Policy Statement for 2017/18, including the continued payment of a living wage supplement at Appendix 9.**
- 11. Approve a level of supplementary estimate of £100,000 for 2017/18 as outlined in Section 14.**

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Paul Jones.</p> <p>E-mail: paul.jones@cheltenham.gov.uk</p> <p>Tel no: 01242 775154</p>
Legal implications	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements. The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above a specific level - which for district councils in 2017/18 is the greater of 2% or £5 on a Band D property.</p> <p>Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@teWKesbury.gov.uk</p> <p>Tel no: 01684 272012</p>

HR implications (including learning and organisational development)	<p>In the spirit of building on our positive employee relations environment, the recognised trade unions received a budget briefing at the Joint Consultative Committee on 16th December 2016. Dialogue with the two recognised trade unions will continue throughout the coming year to ensure that any potential impact on employees is kept to a minimum and in doing so help to avoid the need for any compulsory redundancies. The Council's policies on managing change and consultation will be followed.</p> <p>Going forward, it is important that capacity is carefully monitored and managed in respect of any reductions in staffing and reduced income streams.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.
Environmental and climate change implications	The final budget contains a number of proposals for improving the local environment, as set out in this report.

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

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

Budget Proposal (excerpt from appendix 5)	Potential community and equality impacts and any mitigating actions
1. Regulatory & Environmental Services Transformation	
b) Review of fees & charges and income generation opportunities	None identified
2. Rolling Approach to Commissioned Services	
a) Review of Internal Audit and Corporate Fraud Unit	Ensuring that our human resource processes used to enable any staff restructuring are compliant with equality legislation
b1) Hire of depot for TBC co-mingling contract	None identified
b2) Net increase in charges to Housing Revenue Account / CBH from One Legal	None identified
d) Increase Green Waste by £4 and increase Discount to £3	None identified: There will be a negligible impact of £1 on household budgets if households renew early
e) Procurement savings - reduction in insurance premiums	None identified
4. Economic Growth / Investment	
d) Business Rates additional target through pooling	None identified

f) Increase in car parking revenue based on volume growth	None identified: the additional income will be achieved through increased usage of car parks rather than by an increase in fees
5. Service Cuts	
a) Review and decrease the cost of services / activities	None identified
b) Property Services - reduction in cost of service	None identified
c) Commissioning - reduction in cost of service	The savings target for 2017-18 will be delivered from vacant posts in the community engagement team. Support for organisations representing a range of diverse communities will remain in place.
d) Corporate Overheads - reduction in costs	None identified
6. Use of Reserves	
a) Use of one-off payment holiday on VRP	None identified
b) MRP saving through change in methodology	None identified
* Use of Budget Strategy (Support) Reserve	None identified
* B/Fwd deficit funded by Budget Strategy (Support) Reserve in previous year	None identified
Previously Delivered Savings Targets	
L&C Review - trust savings	The equality and community impacts of the work to establish the Cheltenham Trust were set out in report to cabinet on 12 December 2012; the report identified that the agreed outcomes recognise the groups where participation is potentially lowest. This is being monitored through quarterly review meetings

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 2017. The consultation took place between the period 14th December 2016 to 13th January 2017 and this report sets out the final proposals for 2017/18.
- 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 50% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.
- 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 consulted on these and other additional responsibilities in 2016 and this Council made a formal response to that consultation.
- 1.4 The New Homes Bonus (NHB) forms an integral part of the financing of local government and is indeed used in the Government's preferred terminology of 'Spending Power' that it utilises when the settlement is announced. The final budget proposals sets out clearly the anticipated use of NHB to support the Council's spending requirement, although recognises that announcements in late December 2016, regarding changes to how NHB is calculated, will lead to significant further reductions in Government funding to this Council.

2. Budget Assessment of the Section 151 Officer

- 2.1** Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on HRA to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.
- 2.2** The Section 151 Officer is satisfied that the proposed budget for 2017/18 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2017/18. The full assessment is attached at Appendix 2.

3. 2016/17 Budget Monitoring to December 2016

- 3.1** The budget monitoring report to the end of December 2016, also considered by Cabinet on 7th February 2017, identified a net underspend against the budget of £110,737 to the end of December 2016. It is therefore the recommendation of the Section 151 Officer that this saving is transferred to the budget strategy (support) reserve to help support the 2017/18 and future year's budget proposals in accordance with the Medium Term Financial Strategy.

4. Settlement Funding Assessment

- 4.1** On 8th February 2016, the Secretary of State for Communities and Local Government announced the final local government settlement for 2016/17. The announcement included the following significant proposals to be delivered over the life of the Spending Review Period:
- Movement to 100% business rate retention;
 - Permission to spend 100% of capital receipts from asset sales, to fund cost-saving reforms;
 - Introduction of a social care Council Tax precept of 2% a year for those authorities with social care responsibilities;
 - Flexibility for district councils to increase council tax by £5 a year;
 - Increased support through the Rural Services Delivery Grant for the most sparsely populated rural areas;
 - Retention of New Homes Bonus **but** with proposed changes, savings from the changes to be re-invested in authorities with social care responsibilities;
 - The offer of a guaranteed 4 year budget to every council, which desires one, and which can demonstrate efficiency savings.
- 4.2** In addition to the detailed proposals for 2016/17, illustrative figures were also provided for each financial year up to 2019/20 although they did not take into account the full implications of changes to the New Homes Bonus or implications of the move to 100% business rate retention.
- 4.3** The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.
- 4.4** Local authorities were invited to submit an application for a multi-year settlement which guaranteed minimum levels of Revenue Support Grant, Transitional Grant and Rural Services Delivery Grant. In terms of business rates, tariffs and top ups for 2017/18, 2018/19 and 2019/20 will not be altered for relative needs adjustment and in the final year may be subject to the

implementation of 100% business rates retention.

- 4.5** The Cabinet decided in October 2016, to submit an application for a multi-year settlement, which was supported by a 4 year efficiency plan. On 16th November 2016, the Council received formal confirmation from the Minister for Local Government that it had been accepted for a multi-year settlement. It should be noted that in applying for a multi-year settlement the Council is guaranteeing a minimum settlement allocation, not a fixed allocation.
- 4.6** Between 2009/10 and 2016/17 the Council's core funding from the Government has been cut by some £5.7 million, from £8.8 million to £3.1 million (this excludes council tax support funding which transferred into the settlement funding assessment in 2013/14).
- 4.7** The proposed levels of government funding for this Council are set out in the table below. Overall 'core' central government funding (referred to as the Settlement Funding Assessment) is set to reduce by a further 17.5% in 2017/18 with further reductions through to 2019/20.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	2.110	1.273	0.544	0.102	-
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.579	2.600	2.652	2.730	2.426
Settlement Funding Assessment	4.689	3.873	3.196	2.832	2.426
Actual cash (decrease) over previous year	(0.762)	(0.816)	(0.677)	(0.364)	(0.406)
% cash cut	(14.0%)	(17.4%)	(17.5%)	(11.4%)	(14.3%)

- 4.8** Allocations have been determined by equal percentage cuts in "settlement core funding" which is the sum of Revenue Support Grant (RSG), business rates targets and for the first time council tax. Therefore, as Cheltenham funds a higher proportion of its net budget requirement from council tax, it is set to receive a higher reduction in government funding.
- 4.9** Given the above it appears that this Council has been adversely affected by the four year settlement as greater weighting is placed on the council tax base. In addition, as a wholly urban authority with tightly drawn boundaries, Cheltenham has much less capacity for increasing the number of homes, and therefore benefitting from New Homes Bonus (NHB), compared to rural areas.
- 4.10** The proposal to include council tax in the settlement core funding assessment would appear unjust as council tax has always been assessed as the source of funding used for meeting the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants. The council tax charge for Cheltenham residents has been the subject of debate for more than three decades and has been determined by successive Councils based on the need to fund the services its residents need and wish to enjoy.
- 4.11** The proposed levels of government funding per dwelling in 2017/18 across the Gloucestershire Districts are set out in the table below. Cheltenham will receive c. £93 per dwelling whereas the average across Gloucestershire is c. £123, a difference of c. £30 per dwelling. If Cheltenham were to receive the average amount for Gloucestershire, this would equate to an additional £1.647m in government funding in 2017/18.

	RSG+BR baseline £ millions	NHB £ millions	Rural Services Delivery Grant £ millions	Transition Grant £ millions	Total £ millions	No. dwellings at Sept. 2016	Total £/dwelling
Cheltenham	3.2	1.8	-	0.1	5.1	54,905	93
Cotswold	2.1	3.2	0.5	-	5.8	41,964	138
Tewkesbury	2.2	3.2	-	-	5.4	39,527	137
Forest of Dean	3.1	1.9	0.1	-	5.1	37,826	135
Stroud	2.7	2.7	-	0.1	5.5	52,278	105
Gloucester	4.6	2.7	-	-	7.3	56,410	129

New Homes Bonus (NHB)

- 4.12** 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 provided match funding of £1,485 for each new property for six years (based on national average for band D property – i.e. £8,910 per dwelling over six years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).
- 4.13** 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.
- 4.14** The Government proposed to make changes to the New Homes Bonus and published a consultation document “New Homes Bonus: Sharpening the Incentive”. The deadline for responses was 10th March 2016 and Officers submitted a response in consultation with the Leader of the Council.
- 4.15** The Consultation document was prepared in the context of the outcome of the 2015 Spending Review. This confirmed the intention to move to full retention of business rates by 2020 and a preferred option for savings of at least £800 million in New Homes Bonus, to be used to fund social care. The consultation sought views on the options to change three aspects of the New Homes Bonus.
- Reducing costs by moving payment of the bonus from 6 years to 4 years;
 - Introducing a baseline target of 0.25% to remove “deadweight”, which will focus local authorities demonstrating a stronger than average commitment to growth, and reflects a percentage of housing that would have been built anyway.
 - Reform of the bonus to reflect local authorities’ performance on housing growth, linking payment of grant to production of the Local Plan, and reducing payments for housing built on appeal.
- 4.16** In the case of changes to the New Homes Bonus, the illustrative figures for future funding allocations showed a reduction in New Homes Bonus in 2018/19, whereas the consultation document indicated that reductions could come into effect in 2017/18. The interim budget proposals assumed the changes would take effect from 2018/19 as it was perceived that this would link in with the changes proposed for 100% business rates retention. A risk was highlighted, however, that the final settlement may result in some changes to the NHB scheme in 2017/18 as pressure grows for additional funds to be redirected towards social care provision.
- 4.17** The Government has announced the allocation of NHB Grant for 2017/18. For this Council, NHB Grant will decrease by £380,611 from £2,152,161 to £1,771,550. The grant recognises net

growth in the Council Tax base of 387 properties between October 2015 and October 2016 and the development of 12 affordable housing units, but as a result of a revised baseline target of **0.4%** of housing growth, this Council will only be rewarded for 163 additional properties. In addition, the payment of the bonus has reduced from 6 years to 5 years, with a further proposed reduction to 4 years from 2018/19.

- 4.18** The District Council sector is extremely disappointed that the outcome of the consultation that took place in March 2016 was only announced on 15th December 2016. The extent of the changes to New Homes Bonus and the variation in the provisional settlement figures compared with those released last year are devastating in the context of a four year settlement agreement which was supposed to give Council's more certainty and clarity over future income streams.
- 4.19** For 2018/19 onwards, it was assumed that NHB of c. £1.8 million would be payable. This value reflected: the scale of housing development expected in the Borough; that the Bonus would be awarded for 4 years rather than the current 6 years; and provided for the introduction of a 0.25% baseline target. Despite over 80% of respondents objecting to a baseline target being introduced, the Government not only proposes to introduce it, but increase it to 0.4%. Cheltenham is penalised on this methodology compared to many shire districts as it has a 'higher' starting point in terms of the number and value of existing properties and therefore has to deliver significantly more homes above the baseline to achieve similar levels of NHB compared to a rural authority starting with fewer, lower value properties, despite having considerably less development land, as recognised within the Joint Core Strategy.
- 4.20** The actual impact of these changes for Cheltenham, based on the illustrative figures for future funding allocations released last year, equate to a reduction in funding of c. £580k in 2017/18; c. £435k in 2018/19 and c. £650k in 2019/20.
- 4.21** The reduction in New Homes Bonus has had a significant impact on Spending Power for Cheltenham and some other district authorities and representation has been made to the Government, for them to consider some form of transitional grant arrangements.

Business Rates

- 4.22** In April 2017, a new Rating List will come into effect which will impact each business rate property in the borough and, therefore, will impact upon the value of business rates collected. Under the Retained Business Rates Scheme, this volatility is to be smoothed by an adjustment to the "tariff" set by central government.
- 4.23** A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the 2010/11 financial year, which reduces the business rates yield in the year in which the refund is made. The Council has made provision for its share of the cost of outstanding appeals in its financial statements. The level of provision has been reviewed as part of the preparation of the business rates estimates for 2017/18.
- 4.24** The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.
- 4.25** Modelling of the potential business rates income for 2017/18 indicates that the Council is significantly above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in the Council still being liable to a 'levy'.
- 4.26** Taking the above into account, it has been agreed that this Council would benefit from remaining in the pool in 2017/18 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements. For 2017/18, the Gloucestershire pool includes Gloucestershire County Council and all of the District/Borough

Councils with the exception of Tewkesbury Borough Council.

4.27 One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the Department for Communities and Local Government. The NNDR1 return was submitted to the Department of Communities and Local Government (DCLG) by the deadline of 31st January 2017 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and it is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position is £869,270. However, due to temporary retail closures arising from town centre redevelopments, and the large reductions made by the Valuation Office (VO) in the rateable values of purpose-built doctors' surgeries and health/medical centres (which are backdated several years), deficit adjustments need to be made from previous years to the value of £444,424.

4.28 It is therefore appropriate and necessary to support the 2017/18 budget proposals with a contribution from the BRR reserve which has been built up over the last two financial years to deal with these issues.

	2017/18 £
Estimate of retained business rates per NNDR1	21,470,254
Tariff to government	(17,818,354)
Grant to compensate for government decisions (e.g. Small business rate relief and Localism Act reliefs)	676,296
Estimated levy payable to government after pool adjustment	(805,394)
Net retained business rates	3,522,802
Less Baseline Funding (Cheltenham BC Target level of retained business rates)	(2,653,532)
Net surplus on business rates in 2017/18 against baseline funding	869,270
Deficit adjustment in respect of 2015/16 (one-off)	(303,960)
Deficit adjustment in respect of 2016/17 (one-off estimated)	(140,464)
Additional one-off adjustments in respect of previous years deficits from retained business rates	(444,424)
Net retained business rates (after one-off deficit adjustments)	3,078,378

4.29 The move to local business rates retention still appears to be a positive one, but local authorities have faced a series of obstacles in trying to make it a success. The Government's desire is to make sure that the system is fair and that there is a balance between incentives and managing risks, although it is nearly four years since business rates retention was introduced and the rules are still changing.

4.30 One example of these rule changes is that the Government is introducing a temporary £1,500 business rates discount for office space occupied by local newspapers in England for two years from 1st April 2017. One £1,500 discount will be available per local newspaper title and per property, up to state aid limits to help local newspapers adapt to technological changes within the industry.

4.31 As this is only temporary there is no change to legislation. The Government expects billing authorities to use their discretionary rate relief powers contained in Section 47 of the Local

Government Finance Act 1988 and will fully reimburse the Council for the local share of the cost of this relief.

- 4.32** The relief is to be specifically for local newspapers and will not be available to magazines. To qualify, the property must be wholly or mainly used as office space for journalists and reporters.
- 4.33** The relief will be granted in accordance with the detailed criteria set out in guidance provided by DCLG. It is calculated on a daily basis and will only be available for financial years 2017/18 and 2018/19. A written application form will be required with information to show that the qualifying criteria have been met.
- 4.34** Local authorities have been inundated with various regulation updates but we are still struggling to get access to critical information, such as the likely outcome of appeals against business rates. Large appeals and RV reductions from other public sector organisations are undermining local government's ability to make business rates retention a success.

Parish Council Support Grant

- 4.35** 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, Police and Crime Commissioner for Gloucestershire and Parish Councils. To offset this impact, the Government paid 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 parish councils any mechanism for paying over a share of the overall grant paid to the billing authority.
- 4.36** For 2013/14 through to 2016/17, the value of grant awarded to the 5 parish councils for LCTS was £10,269. Funding for Local Council Tax Support was "rolled" in to the Revenue Support Grant and the Retained Business Rates Baseline Funding Position. As Government funding reduces, the Council is under increasing pressure to reduce the funding available for Local Council Tax Support available to the 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 2017/18, although the 5 Parish Councils have been formally notified that reductions to their grant will commence in 2018/19.

Council Tax

- 4.37** For the period 2010 to 2015 the Council had frozen its council tax at £187.12 a year for a Band D taxpayer. In taking this course of action, the Cabinet had borne in mind the difficult economic and financial climate that many of our residents were facing. However, during the period of the freeze our own financial position as a Council has deteriorated sharply. Our core Government funding has been cut drastically, with further large cuts to come. In addition, inflation has continued to affect many areas of the Council's costs, which resulted in council tax being increased by £5 in 2016/17 to £192.12 for a Band D taxpayer.
- 4.38** Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 2 per cent for all local authorities, as in 2016/17. However, shire districts will be allowed increases of up to and including £5, or up to 2 per cent, whichever is higher.
- 4.39** In December 2016 the rate of Consumer price inflation (CPI) rose to 1.6% although it is recognised that CPI is not a particularly good measure 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 and employer pension contributions are increasing by 4% (c. £400k) cumulatively per annum. 2017/18 will also see the introduction of the apprentice levy.

- 4.40** With this in mind, the Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.
- 4.41** As detailed above, the proposed changes to the New Homes Bonus, which represents a significant proportion of our income, will place a number of our discretionary services at risk.
- 4.42** Therefore, the Cabinet is proposing a 2.60% increase in council tax in 2017/18; an increase of £5.00 for the year for a Band D property.

Collection Fund

- 4.43** In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund surplus for 2016/17 is £128,000 which will be credited to the General Fund in 2017/18. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates.

5. Unavoidable budget pressures

- 5.1** In addition to funding pressures from cuts to Government funding, the Council is also facing costs pressure from the triennial valuation of the Gloucestershire Local Government Pension Scheme. The Council has made provision for growth in contributions to the Pension Fund of c. £400k for each of the next three years (2017/18 to 2019/20) in accordance with the results of the valuation received in early December 2016.
- 5.2** Since 2013, the grant received from central government to fund the administration costs of the Housing Benefit and Local Council Tax Support services has been reduced by £261,235. Part of these reductions related to the introduction of the Single Fraud Investigation Service which saw responsibility for the investigation of housing benefit fraud pass from local government to the Department for Works and Pensions (DWP). Other reductions have been a result of the DWP passing on its departmental savings targets to local government, whilst also recognising the rollout of Universal Credit (UC).
- 5.3** In April 2017, the Apprenticeship Levy will be introduced at 0.5% of the pay bill. The aim of the levy is to encourage growth in the number of Apprenticeships available nationally. It is anticipated that the Council will be able to use some of the Levy to off-set apprentice training costs.

6. The Cabinet's general approach to the 2017/18 budget

- 6.1** 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.
- 6.2** The Cabinet's budget strategy for 2017/18, approved at a meeting on 11th October 2016, included an estimate of £1.721m for the 2017/18 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 17.5% cut in government support. These assumptions were used to support the interim budget proposals, and based on the detailed budget preparation undertaken in November 2016, assumed a revised budget gap of £1.929m.

- 6.3** The final assessment of the budget gap for 2017/18, based on the detailed budget preparation and the assumed financial settlement is £2.017m which takes into account the following variations:
- Business rates adjustments including planned use of BRR reserve £18k positive variation
 - Increased Ubico contract costs £81.5k adverse variation.
 - Presentation of charges to Housing Revenue Account / CBH from One Legal £24k.
- 6.4** 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.
 - Identify savings and additional income that could be used to strengthen the Council's Budget Strategy (Support) reserve.
- 6.5** In preparing the 2017/18 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 4.
 - Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
 - Budgeted for pay inflation at 1% for 2017/18.
 - Budgeted for an increase in Members allowances of 1% for 2017/18 as agreed by Full Council on 12th December 2016.
 - Budgeted for superannuation increases in accordance with the triennial review 2016 which were in line with those forecast in October 2016 for the financial years 2017/18 and 2018/19.
 - Budgeted for the Apprenticeship Levy, the cost to the Council is estimated to be £10,000 per annum and has been built into the base budget.
 - Green Waste charges will be increased to £42 per annum with a £3 early discount being offered to all customers who renew their subscription early.
 - All other fees and charges, including car park charges and crematoria fees (see below in paragraphs 6.10 to 6.13), are subject to annual review by the REST management team. A target of £50k per annum has been established as part of the savings strategy approved to deliver a balanced budget.
 - Agreed a strategy regarding the re-prioritisation of resources, cost reduction, vacancy management and income generation to deliver key work-streams identified around the place strategy. A paper is expected in summer 2017 setting out more detailed proposals.
 - Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.
- 6.6** 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 the Executive Board to develop a longer term strategy for closing the funding gap and this is monitored regularly. The Cabinet's final budget proposals for closing the budget gap in 2017/18, which are the result of this work, are detailed in Appendix 5, split into.

- Decisions already made by Cabinet/Council totalling £309,500 in savings or additional income.
- Proposals yet to be agreed by Council which are not built into the base budget, totalling £1,099,200. They comprise £699,200 of efficiency savings and additional income and a one-off voluntary repayment holiday on Delta Place of £400,000 to support the base budget.

- 6.7** The Bridging the Gap programme and the commissioning process had helped the Council to move towards a robust four-year strategy for closing the funding gap. The work done on leisure and culture services, shared services with partner councils, management restructuring and the accommodation strategy, as well as a number of smaller pieces of work, gave the Council the opportunity to think ahead over a period of several years, rather than planning its budgets a year at a time. However, the proposed further reductions to New Homes Bonus will require the Cabinet to reflect on its current strategy in order to deliver further savings to those anticipated when it submitted its four efficiency plan.
- 6.8** This budget proposes to make full use of the New Homes Bonus, a total of £1.750m, to support the 2017/18 revenue budget. It was anticipated that New Homes Bonus income in excess of this figure would be kept in reserve or put towards this Council's contribution to the 2020 Vision Programme as agreed in February 2015. The Council will therefore need to commit to earmarking future underspends and windfall income to achieving this outcome.
- 6.9** 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. This reserve secures the Council against short-term challenges which we know we will encounter in the coming years. One of these financial challenges is a drop in business rates income estimated due to redevelopment, with income levels recovering as development goes 'live' in late 2017/18 and 2018/19. Another is the delay in securing car park income of £350k a year from the North Place development. 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 £882k in 2017/18 from the budget strategy (support) reserve rather than by cuts in services or increases in charges which would have a long-term impact.

Cemetery and Crematorium

- 6.10** The interim budget proposals included a 2% inflationary increase on Cemetery & Crematorium fees and charges which was judged to raise £33,200 in supporting the base budget in 2017/18.
- 6.11** The approved business case for the redevelopment of a new crematorium, which is expected to commence in 2017/18, includes an additional increase in cremation fees of £168.71, generating £320,550 additional fee income to support the capital funding for the new facility.
- 6.12** The Council has also been incurring CAMEO costs (£53k per annum) relating to its environmental contribution to supporting mercury abatement through the national offsetting scheme. This cost will no longer be incurred once the new facility comes on-line and indeed, should start to generate an income. In the meantime, it is proposed that these costs are subject to an environmental charge of £26.50 added to the Cremation fee from 2017/18. The need for this charge will be reviewed once the new crematorium is operational.
- 6.13** It is therefore recommended that the additional fees and income, totalling an estimated £373,550 be included in the 2017/18 budget as one-off income. This income will be transferred to the budget strategy support reserve, pending the outcome of a further business case, currently being developed, for further investment in the Bouncer's Lane site. This includes the possibility of building a second chapel as part of the new crematorium, with the potential to release the existing chapel buildings for an alternative use.

7. Treasury Management

- 7.1 Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 7.2 Investment interest rates have reduced and will probably remain very low in the medium term until there is more economic certainty following Brexit. Returns from traditional fixed term cash deposits are minimal so growth will need to be from alternative investment sources such as investment in property assets.
- 7.3 Whilst the reduction in interest rates in August 2016 has resulted in a shortfall in investment interest, this has been offset by a reduction in temporary borrowing costs and reducing the interest payable to the Housing Revenue Account (HRA). With this in mind, for 2017/18 interest and investment income activity is assumed to remain broadly consistent with that now projected for 2016/17.

8. Reserves

- 8.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This assessment is included within Appendix 2.
- 8.2 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.
- 8.3 A projection of the level of reserves to be held at 31st March 2017 and 31st March 2018 respectively is detailed in Appendix 6.

9. Capital Programme

- 9.1 The proposed capital programme for the period 2016/17 to 2019/20 is at Appendix 7.
- 9.2 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 redevelopment of the Shopfitters site, a new play facility at Pittville Park and an earmarked contribution to public realm works at Boots Corner.
- 9.3 In addition, as agreed by Full Council on 12th December 2016, the capital programme sets aside an allocation of £10.2m for enhancing its property portfolio with the aims of delivering economic growth and regeneration.

10. Property Maintenance Programmes

- 10.1 The budget proposals include a revenue contribution of £600k to planned maintenance, which will be enough to fund a substantial programme. The programme has been reviewed by the Asset Management Working Group and is detailed at Appendix 8.

11. Pay Policy Statement

- 11.1 Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship

between remuneration of Chief Officers and the remuneration of other staff.

11.2 The Pay Policy attached at Appendix 9 includes the following key requirements of the Localism Act 2011:

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

12. Reasons for recommendations

12.1 As outlined in the report.

13. Consultation and feedback

13.1 The formal budget consultation on the detailed interim budget proposals took place over the period 14th December 2016 to 13th January 2017. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed.

13.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 9th January 2017 and comments have been fed back to the Cabinet.

14. Supplementary Estimates

14.1 Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2017/18 to be met from the General Reserve, the same level as in 2016/17.

15. Alternative budget proposals

15.1 It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Section 151 Officer (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed changes are properly captured.

15.2 It is also important that there is time for Members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

16. Final budget proposals and Council approval

- 16.1** The Cabinet has presented firm budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.
- 16.2** If it accepts the recommendation of the Cabinet, without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.
- 16.3** An in-principle decision will automatically become effective 5 working days from the date of the Council's decision, unless the Leader informs the Section 151 Officer in writing within 5 working days that he objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.
- 16.4** In that case, another Council meeting will be called within 7 working days of the date of appeal when the Council will be required to re-consider its decision and the Leader's written submission. The Council may (i) approve the Cabinet's recommendation by a simple majority of votes cast at the meeting or (ii) approve a different decision which does not accord with the recommendation of the Cabinet by a majority. The decision will then become effective immediately.

17. Performance management – monitoring and review

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

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Section 151 Officer budget assessment 3. Summary net budget requirement 4. Growth 5. Savings / additional income 6. Projection of reserves 7. Capital programme 8. Programmed Maintenance programme 9. Pay Policy Statement
Background information	<ol style="list-style-type: none"> 1. Budget strategy and process report 2017/18 and MTFS 2016/17 to 2019/20 (Cabinet 11th October 2016) 2. Budget Monitoring Report 2016/17 position as at December 2016 (Cabinet 7^h February 2017) <p>www.gov.uk/government/consultations/the-case-for-a-business-rates-relief-for-local-newspapers</p>

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 close 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	01/09/2010	5	4	20	Reduce	The budget strategy projection includes 'targets' for work streams to close the funding gap which aligns with the council's corporate priorities. This includes a target for cuts to services / activities amongst other work streams to deliver a balanced budget across the MTFS. As a result of the proposed changes to the New Homes Bonus the Cabinet are reviewing the strategy for closing the revised funding gap which may require larger cuts to services to those which were forecast in October 2016.	Ongoing	Chief Finance Officer	01/09/2010
CR105	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	Chief Finance Officer	01/04/2016	4	3	12	Reduce	The MTFS is clear about the need to bolster reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2017/18 and in ongoing budget monitoring,	Ongoing	Chief Finance Officer	

	the minimum required level as recommended by the Chief Finance Officer in the council's Medium Term Financial Strategy							consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.			
CR107	If the government's technical consultation New Homes Bonus – Sharpening the Incentive leads to a reduction for the payment period from 6 to 4 years then this could have an estimated negative financial impact of between £1.5m and £1.8m, impact on the planning process affecting the ability to approve new developments in a timely manner and impact on the council's ability to deliver core frontline services.	Chief Finance Officer	01/04/2016	5	4	20	Reduce	The MTFS assumed use of NHB could be supported with 4 years rather than 6 years of NHB provided new development proceeds in line with forecasts. However, the introduction of a 0.4% baseline target in addition to the reduction in years has opened up a further financial gap of c. £0.5m which the Cabinet will need a revised strategy to deliver a balanced MTFS.	Ongoing	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 major business and the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.	Chief Finance Officer	14/09/12	4	3	12	Accept & Monitor	<p>The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by the Council.</p> <p>The Gloucestershire S151 Officers continue to monitor business rates income projections</p>	Ongoing	Chief Finance Officer	

								and the performance and membership of the pool. Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.			
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	15/12/10	3	3	9	Reduce	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. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	Chief Finance Officer	
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	Director of Resources	15/12/10	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	

	may decrease.										
1.05	If the Council does not carefully manage the commissioning of services then it may not have the flexibility to make additional savings in the MTFS and a greater burden of savings may fall on the retained organisation	Head of Paid Service	15/12/10	3	3	9	Reduce	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	Chief Finance Officer	
1.07	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.	Chief Finance Officer	13/12/10	4	4	16	Reduce	Work with GOSS and county wide CFO's to monitor changes to local government financing regime including responding to government consultation on changes to New Homes Bonus and Business Rates. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.	Ongoing	Chief Finance Officer	

**STATEMENT OF THE SECTION 151 OFFICER UNDER THE REQUIREMENTS OF
SECTION 25 OF THE LOCAL GOVERNMENT ACT 2003**

ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES 2017/2018

1. INTRODUCTION

The Local Government Act 2003 Section 25 includes a specific duty on the Chief Financial Officer (Section 151 Officer) to make a report to the authority when it is considering its annual budget and council tax levels. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act 'reserves' includes 'general fund balances'.) The Act requires the Council to have regard to the report in making its decisions at the Council's budget and council tax setting meeting in respect of 2017/18.

In making this report I have considered the risks arising from it, outlined below, and the Council's mitigating actions in arriving at my conclusions which, in summary are:

- Supplies and services and staffing budgets are sufficient to maintain services as planned.
- Budgeting assumptions for treasury management activity reflect the impact of sustained low interest rates.
- The approach to budgeting for income is prudent.
- The approach taken to using the New Homes Bonus to support the base revenue budget is prudent and allows the Council more time to make measured decisions regarding future service provision.
- The proposal to increase council tax is required to ensure the viability of this Council in future years without having to make significant cuts to front-line services.
- The medium term financial planning assumptions, including future cuts in government support, are prudent and the continued development and revision of the budget strategy for closing the projected budget gap is providing a planned and measured approach to meeting future financial challenges.
- The approach to financing maintenance is acceptable. Looking ahead, the need to model and prioritise future investment aspirations will become critical if the Council is to meet some of the targets within the Medium Term Financial Strategy (MTFS).
- The level of reserves, including General Balances, is satisfactory.

2. ROBUSTNESS OF ESTIMATES

Budget estimates are assessments of spending and income made at a point in time, based on service needs and known expenditure patterns. The statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but

gives members reasonable assurances that the budget has been based on the best available information and assumptions.

In order to meet the requirement of assessing the robustness of estimates the Section 151 Officer will consider and rely upon the key processes that have been put in place:

- the issuing of clear guidance to Service Managers on preparing budgets through the annual budget strategy report;
- peer review by GO Shared Services finance staff involved in preparing the standstill base-budget, i.e. the existing budget plus contractual inflation;
- the use of in-year budget monitoring to re-align budgets in line with projected changes for 2017/2018;
- a medium term planning process that highlights priority services;
- a review of the corporate risk register;
- a service review by the Cabinet, Executive Management Team and Service Managers of detailed budget and proposed savings and their achievability; and
- GO Shared Services finance staff providing advice throughout the process on robustness, including vacancy factors, increments, current demand, and income levels.

Notwithstanding these arrangements that are designed to test the budget throughout its various stages of development, considerable reliance is placed on Service Managers having proper arrangements in place to identify issues, project demand data, to consider value for money and efficiency and record key risks within their operational risk register.

The table below identifies assumptions made during the budget process and comments upon the risks and decisions taken when preparing the budget.

Budget Assumption	Financial Standing and Management
1. The treatment of demand led pressures.	Service Managers will be expected to manage changes within their budgets by re-prioritising or by taking steps to reduce expenditure where income streams decrease significantly. Where this is not possible it will be necessary to use the working balance or earmarked reserves on the understanding that they may need to be restored in future years.

Budget Assumption	Financial Standing and Management
<p>2. The treatment of inflation and interest rates.</p>	<p>The following assumptions have been made in the preparation of the Medium Term Finance Plan in respect of inflationary pressures:</p> <ul style="list-style-type: none"> • Pay awards are modelled at 1% per annum from 2017/18. • Employer's Superannuation contributions – agreed until 2020 through the latest triennial valuation which result in cumulative increases of £401k per annum through to 2019/20. Future uncertainty in the economy / fund performance may increase pension fund deficits although budgeting assumptions follow actuarial advice. Current modelling and results suggest the current strategy will ensure the Council is in a positive cash-flow position by 2018/19, resulting in an improved funding level. • Contract inflation has been allowed for at the appropriate contractual rate • In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures. Whilst this creates natural efficiency savings it could lead to insufficient budget to maintain service levels. In-year increases will need to be managed. • The Council provides a number of demand led services e.g. green waste collection, car parking, building control charges, etc. The estimates for 2017/18 have been prepared on the advice of officers who have taken a professional view on income levels, based on their opinion about the local economic conditions. Income from fees and charges have generally been increased where legislation permits although a more targeted approach to demand led services have been appraised by Service Managers. • On 8th July 2015 the Chancellor announced that rents in social housing would be reduced by 1% a year for four years. This will result in an estimated loss of rental income of £6.7m in the period to 31st March 2020. The proposals agreed in 2016/17 recommended a balanced approach requiring CBH management and maintenance savings of £1.7m, a re-alignment of the capital programme reducing outlay to March 2020 by £2.7m, the use of revenue reserves totalling £2.2m and other cost savings of £0.1m. • Despite historic significant investment returns, the treasury management budgets are based on sustained low interest rates and no increase is factored into the MTFS. The Council adheres to the CIPFA Code of Practice for Treasury Management 2011 and updates its policy and strategy statements annually. The Investment Strategy is reviewed annually to ensure security of public money. Following the banking crisis, our treasury advisors continue to advise the Council and Treasury Management Panel on policy. <p>Risks around inflation and interest rate variations have been built into my assessment of the budget. In-year increases will need to be managed but may need to be funded from General Balances and subsequently be built into base budget in future years.</p> <p>The recommended minimum HRA revenue reserve to cover contingencies is £1.5m. The three year projections forecast a reserve balance of £2.596m at 31st March 2020 which is deemed sufficient to cover the impact of the changes in Housing and Welfare Policy over the medium term.</p>

Budget Assumption	Financial Standing and Management
<p>3. Estimates of the level and timing of capital receipts.</p>	<p>Property services need to ensure our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough. In December 2016, Full Council agreed that a minimum of 50% of all future asset disposal proceeds be ring-fenced to enhancing the Council's land and asset portfolio. In that same report, Full Council endorsed an aim to generate a minimum 5% return on future investment in property to help towards achieving a sustainable MTFS.</p> <p>No major capital receipts are anticipated that would affect the planned capital expenditure in 2017/2018. A strategic review of our property portfolio will be required over the next 12 months to support the development of the investment property portfolio and to ensure that the council's assets make the maximum contribution possible to support the MTFS.</p>
<p>4. The treatment of efficiency savings/ productivity gains.</p>	<p>The majority of savings proposals for 2017/2018 are already in progress and no identified slippage has been identified. This should not undermine our ability to keep expenditure within budget in 2017/18 although provision is made for slippage within working balances.</p>
<p>5. Government support.</p>	<p>The following assumptions have been made in the preparation of the Medium Term Financial projections in respect of Government support:</p> <ul style="list-style-type: none"> • The estimates for 2017/18 are based on the provisional financial settlement notified by the Department for Communities and Local Government (DCLG) in December 2016. The final settlement is expected to be announced on 22nd February 2017 and any significant differences will be reported to Full Council on 24th February 2017. • The medium term financial projections reflect the significant reductions in Revenue Support Grant (RSG) as it is top-sliced to fund the growth in the New Homes Bonus (NHB). • The budget requires £1.750m of New Homes Bonus (NHB) to support the revenue budget in 2017/18. The fact that this source of funding is being top-sliced from the RSG, means that the Council has little alternative but to regard this money as an important part of its income stream and is therefore assumed to be base funding across the period of the MTFS. However, the proposed reductions in NHB in future years to provide funding for social care provision will require the Council to work up new income streams and additional savings over the next 6 months to counter yet another reduction in Central Government funding. • The budget for 2017/18 includes assumptions for business rates based on estimates of collection rates, bad debts, appeals, reliefs (mandatory and discretionary) and assumed government share and levy rates. The medium term financial projections make no provision for the impact of future changes in the mechanism for operating local business rates retention but this budget uses a reserve to help mitigate the risk of any future fluctuations from previous years' one-off deficits. <p>Despite the uncertainty over future government funding, I am comfortable that the Council has been sufficiently prudent in budgeting for reductions in government support, including dealing with the uncertainty of business rates and NHB receipts.</p>

Budget Assumption	Financial Standing and Management
<p>6. Proposed level of council tax.</p>	<p>In setting the level of council tax, Members need to be mindful of the impact of the decision on the MTFS and future funding gaps. Members also need to acknowledge that the Localism Act 2011 contains requirements for local authorities to hold a referendum where council tax is proposed above a specific increase (the greater of 2% or £5 in 2017/18).</p> <p>Council tax is the main source of locally-raised income for this authority and has previously been referred to by DCLG as 'an important source of funding which is used to meet the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants.' Whilst I can endorse this statement from DCLG it is difficult to realise with a referendum cap in place.</p> <p>There has been an important shift in the Government's principles, most noticeably, the shift away from freezing council tax to using council tax to generate additional funding. Given that this budget relies on the use of reserves to generate a balanced budget in 2017/18, I am of the opinion that council tax cannot be frozen as it would carry significant risks in future years. I therefore support a council tax increase of £5 (based on a Band D property) as this will avoid the requirement for a referendum (cost c. £50k) for council tax increases over the government cap.</p>
<p>7. Medium Term Financial Strategy (MTFS) – the strategy for closing the projected funding gap.</p>	<p>Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority's future revenue and capital programme.</p> <p>The 2017/18 budget includes medium term financial projections of the projected funding gap and indicates broadly how the Council may close the projected funding gap over the period 2017/18 to 2019/20. The budget strategy and process report (reported to Cabinet 11th October 2016) outlines the strategy for closing the funding gap and includes savings and income targets rather than necessarily specific worked up projections of cost savings. These include the accommodation strategy (based on the purchase of Delta Place); sharing management and staffing costs; asset rationalisation including the Depot site; future waste initiatives and savings targets for commissioning reviews.</p> <p>The Council has traditionally provided 'one off' funding for investment in systems or staff costs i.e. additional short-term resource, redundancy / pension costs funded from savings or earmarked reserves.</p> <p>The Council's approach to modelling and monitoring the MTFS and planning for meeting future funding gaps outlined in the budget strategy demonstrates robust and effective planning for closing the funding gap and is effectively scrutinised.</p> <p>However, the proposed reductions via NHB will require the Council to once again focus its efforts on looking for even more alternative sources of savings and income or cuts to existing services. The Council is developing a more commercial approach to service provision with the aim of becoming self-financing and less dependent of Central Government funding. This approach will help refocus on delivering a sustainable MTFS. It is anticipated that the move to 100% business rates retention is a step in the right direction for Cheltenham, although we are already aware that a system of tariffs and top-ups will remain which effectively distributes funding across the Local Government sector. Developing strategies for business and economic growth which will generate revenue for the council to offset the reductions in government funding streams will be a key strand of the development of the MTFS.</p>

Budget Assumption	Financial Standing and Management
8. The authority's capacity to manage in-year budget pressures.	The authority has proven its ability to manage in-year budget pressures with no recorded overspends in recent years. Improvements to our Devolved Budgetary Control scheme have improved our management of cash limited budgets.
9. The strength of the financial information and reporting arrangements.	The Council has strong internal and external reporting standards. Quarterly management reports are made to the Cabinet. These procedures have allowed firm management of any projected overspends in the past. These reports have been enhanced with detailed financial commentary and clear direction with regards to in-year virements which aids transparency and full scrutiny.
10. The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.	The Council's virement and carry forward rules are clear. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves. The Council's Devolved Budgetary Control scheme gives managers flexibility to manage budget variations within their services. Service overspends may be clawed back from future budgets.
11. The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are considered adequate. The Council does self-insure on small claims and has reserves to meet any excesses relating to claims. No uninsured risks have been identified.
12. The approach to financing the maintenance programme.	The Council has £600k built into the base revenue budget to fund the annual maintenance budget of the property portfolio. The maintenance schedule of planned commitments has been established for 2017/18 and will be reviewed by the Asset Management Working Group on an annual basis.

Given consideration of the above factors and the detailed scrutiny of the budgets that has been undertaken this year I can give positive assurance on the robustness of the budget estimates.

3. ADEQUACY OF RESERVES AND BALANCES

The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Within the statutory and regulatory framework it is the responsibility of the Section 151 Officer to advise the authority on its level of reserves that should be held and to ensure that there are clear protocols for their establishment and use. Councillors, on the advice of the Section 151 Officer, should make their own judgements on such matters taking into account local circumstances. The adequacy of reserves can only be assessed at a local level and requires a considerable degree of professional judgement. The assessment needs to be made in the context of the authority's MTFS, its wider financial management, and associated risks over the lifetime of the plan. The Secretary of State has reserved powers to set a minimum level of reserves to be held by councils if required.

Reserves should not be held without a clear purpose. Should it be considered that the level (or proposed levels of reserves) is inadequate then a report must be made to Council outlining how this has arisen and what action should be taken to prevent a reoccurrence in subsequent years.

As part of the annual budget setting process and in reviewing the MTFS, the Council needs to consider the establishment and maintenance of reserves. These can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds (earmarked reserves) to meet known or predicted requirements.

GENERAL (WORKING) BALANCES – CALCULATION OF OPTIMUM LEVEL

There are two approaches for deciding the optimum level of working balance. One approach is to apply a percentage range to the Net Budget Requirement, currently assessed as between 5% and 10% or a level between £0.683m and £1.366m. The alternative is a level based upon a risk assessment of the budget. In 2017/18 the Section 151 Officer has used a risk based approach to assess the appropriate level of general balances.

The framework for assessing the risks surrounding the budget needs to consider the following:

- Inflationary pressures.
- Pension Fund changes.
- Planned economy measures/service reductions.
- Interest rate variations.
- Volume variations on demand-led services such as planning charges, land charges.
- New services/initiatives.
- The risk of litigation.
- Emergency planning.
- Financial guarantees.
- Grant income.
- Future budget projections.

	Area of Risk	Explanation
1.	Inflationary Pressures	Historically the cost of pay awards has caused major variations to budget estimates. However Government has indicated a 1% pay award per annum for the four years up to 2019/20. A provision of £82,000 (1%) is recommended within the working balance to offset this risk. Inflationary risks on other costs are a factor elsewhere. The Ubico contract is driven by fuel and pay increases and a provision of 1% on the 2017/18 contract value suggest a

	Area of Risk	Explanation
		figure of £74,000 should be kept as a provision in the working balance.
2.	Pension Fund Changes	The 2016 triennial review has brought a degree of certainty to future pension costs for 2017-2020. These should not impact adversely on the Council in the next 36 months so no specific provision is required at this point.
3.	Planned savings measures	<p>The Savings Strategy identifies £3.525m of savings targets to be delivered across 2017/18 to 2019/20. Slippage can occur and the Red Amber Green (RAG) system for identifying those work-streams at risk of slippage, are identified within the Savings Strategy. Currently the strategy notes £325,000 of work streams considered 'amber' in 2017/18 in terms of delivery and so these are accommodated within the working balance (exclusive of car parking increase which is covered under volume variations).</p> <p>The Council's base budget includes an annual target of £350k to recognise staff vacancy management which has been allocated out to cost centre managers which has ensured more transparency and ownership of the target. However, a smaller workforce coupled with reducing opportunities in a depressed public sector could impact on this budget principle and therefore a 10% allowance, equivalent to £35,000 for this is included within the working balance.</p>
4.	Interest rate variations	The current very low level of investment rates suggest that there is little down-side risk at present and no specific provision is recommended for 2017/18.
5.	Volume variations demand led	During the economic downturn the Council was vulnerable to drops in key income streams, e.g. planning fees, car parking income etc. Our budget projections reflect current levels of income however the risks associated with volatility should be better reflected particularly given recent fluctuations in planning, car parking and building control income. As such a provision amounting to £200,000 to reflect the volatility is recognised in the working balance.
6.	New services/ initiatives	No new initiatives have been identified that require specific provision within the working balance.
7.	Risk of litigation contingency	The level of risk associated with litigation is considered to be reducing over time however risk does still remain and as such a provision of £200,000 is retained. The council holds a separate earmarked reserve for planning appeals which is also available if required.
8.	Emergency planning	Whilst the government will step in to assist in the event of a major disaster there are thresholds at which assistance is given. This threshold is 0.2% of the net budget. Financial support is then given at 85% of costs above this level. Provision of £1m would cost this Council £170,000; the cash flow impact would need to be handled from invested reserves.
9.	Financial guarantees/ contingent liabilities	<p>Run-off of the old Municipal Mutual Insurance claims has begun but no provision is required at this stage.</p> <p>The Joint Core Strategy continues to require ongoing resource and a provision of £50k is included should the risk of additional costs arising be realised.</p>
10.	Grant income	No new grant streams are anticipated in the 2017/2018 budget. No risks have been identified around existing grant flows that require specific provision in the working balance.
11.	Business rates retention	As part of the pooling arrangement, the Council could be required to contribute to large scale revaluations such as occurred with Virgin Media via Tewkesbury Borough Council. Provision for such occurrences should therefore be included within the working balance and as such £150,000 is estimated.

The assumptions above total £1,286,000 suggesting that we strive to maintain a working balance around this figure during 2017/18. The Council should aim to not allow the working balance to fall below this figure. The current working balance is £1,358,591.

EARMARKED RESERVES

In order to assess the adequacy of earmarked reserves when setting the budget, the Chief Finance Officer should take account of the strategic, operational and financial risks facing the authority. Accepting that there are still some areas of uncertainty, the level of reserves appears adequate at this point in time and no other changes are currently recommended.

Whilst the majority of these reserves are held for specific purposes, there are two reserves which are available to help meet the cost of any changes as the Council meets the challenges of future funding reductions; these are:

	Balance projected at 31 st March 2017 £
Budget Strategy (Support) Reserve	1,119,427
New Initiatives Reserve (2020 Vision)	600,000
	1,719,427

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 may also secure the Council against short-term challenges which we know we will encounter in the coming year such as the one-off drop in business rates income due to redevelopment, and the delay in securing car park income of £350k a year from the North Place development. The budget proposals rely on the drawdown of part of this reserve in 2017/18.

I have reviewed the revenue reserves and propose the transfers as identified in Appendix 6. I also consider that the financial reserves and working balance as proposed in these papers are adequate to fund spending plans for 2017/2018 and give a firm basis for the years 2017-2020. However, given the proposed front-loaded cuts in RSG and NHB in the future, I recommend that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

4. OVERALL CONCLUSION

There is a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget. The budget proposals includes budgets for expenditure and income and uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure per the MTFS without drawing on the General Reserve.

I am, therefore, satisfied that the proposed budget is balanced and meets the legal requirement to set a balanced budget.

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

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

PAUL JONES
Section 151 Officer

NET GENERAL FUND BUDGET 2017/18

GROUP	2016/17 ORIGINAL	2016/17 REVISED	2017/18 ORIGINAL
	£	£	£
Projected cost of 'standstill' level of service			
Head of Paid Service	6,959,747	7,561,147	7,588,123
Environmental & Regulatory Services	3,188,958	3,419,359	3,295,173
Resources Directorate	5,347,705	5,579,705	5,011,133
Programme Maintenance	0	0	600,000
Bad debt provision	25,000	25,000	20,000
	15,521,410	16,585,211	16,514,429
Capital Charges	(738,100)	(842,500)	(842,500)
Interest and Investment Income	407,500	562,338	407,500
Use of balances and reserves	(1,164,152)	(2,230,454)	(164,127)
Proposed Growth recurring - Appendix 4			30,000
Savings / Additional income identified - Appendix 5			(1,408,700)
Use of Budget Strategy Support reserve	(273,920)	(273,920)	(882,205)
NET BUDGET	13,752,738	13,800,675	13,654,397
Deduct:			
Revenue Support Grant	(1,272,960)	(1,272,960)	(544,030)
National Non-Domestic Rate	(2,838,470)	(2,845,253)	(2,402,082)
National Non-Domestic Rates - S31 Grants	(530,575)	(571,729)	(676,296)
National Non-Domestic Rate - 2014/15 surplus / deficit	220,026	220,026	0
National Non-Domestic Rate - 2015/16 surplus / deficit	809,477	809,477	0
Local Council Tax Support- Transitional grant	(74,460)	(74,460)	(74,197)
New Homes Bonus	(2,151,500)	(2,151,500)	(1,750,000)
Less: Grant allocated to Parishes (council tax support)	10,269	10,269	10,269
Collection Fund Contribution	(163,800)	(163,800)	(128,000)
	(5,991,993)	(6,039,930)	(5,564,336)
NET SPEND FUNDED BY TAX	7,760,745	7,760,745	8,090,061
Council Tax income assuming increase of £5	-7,760,745	-7,760,745	-8,090,061
Band 'D' Tax	£192.12	£192.12	£197.12
Increase per annum			£5.00
Increase per week			£0.10
% Rise			2.60%
Gross Collectable Tax Base	40,906.60	40,906.60	41,560.80
Collection Rate %	98.75%	98.75%	98.75%
Net tax base	40,395.30	40,395.30	41,041.30

PROPOSALS FOR GROWTH

Appendix 4

Ref	Division	Project Name	Description				Capital Costs
				2017/18	2018/19	2019/20	2017/18
				£	£	£	£
	SUPPORTED GROWTH						
1	Commissioning	Community Pride	Community Pride 'bidding' budget for allocation in future years	30,000	30,000	30,000	
2	ICT Shared Service	IT Infrastructure and Hardware	On-going ICT infrastructure and hardware replacement strategy rolling programme				100,000
				30,000	30,000	30,000	100,000

SAVINGS STRATEGY					
	2016/17	2017/18	2018/19	2019/20	Total 2017/18 to 2019/20
Total Current MTFs Funding Deficit	1,754,619	2,016,986	1,032,062	912,758	3,961,806
1. Regulatory & Environmental Services Transformation					
a) Cost of service reduction			157,500		157,500
b) Review of fees & charges and income generation opportunities		50,000	50,000	50,000	150,000
c) Transformation of service delivery				100,000	100,000
Total	0	50,000	207,500	150,000	407,500
2. Rolling Approach to Commissioned Services					
a) Review of Internal Audit and Corporate Fraud Unit		* 43,000			43,000
b) Review of current shared / commissioned services e.g. One Legal, The Cheltenham Trust, Ubico, Cheltenham Borough Homes			75,000		75,000
b1) Hire of depot for TBC co-mingling contract		22,000			22,000
b2) Net increase in charges to Housing Revenue Account / CBH from One Legal		23,900			23,900
b3) Saving from Single Advice Contract		25,000			25,000
c) Additional waste target from new joiners	29,000		40,000		40,000
d) Increase Green Waste by £4 and increase Discount to £3		* 40,000			40,000
e) Procurement savings - reduction in insurance premiums		* 60,000			60,000
Total	29,000	213,900	115,000	0	328,900
3. Review of Accommodation					
a) Depot - rationalisation of site			100,000	200,000	300,000
b) Municipal offices - relocation and site regeneration	100,000			200,000	200,000
Total	100,000	0	100,000	400,000	500,000
4. Economic Growth / Investment					
a) Investment portfolio income generation			100,000	200,000	300,000
b) West Cheltenham - increase in business rates				25,000	25,000
c) North West Cheltenham - increase in business rates				25,000	25,000
d) Business Rates additional target through pooling		200,000	150,000	50,000	400,000
e) North Place development income				350,000	350,000
f) Increase in car parking revenue based on volume growth		200,000			200,000
Total	0	400,000	250,000	650,000	1,300,000
5. Service Cuts					
a) Review and decrease the cost of services / activities		* 16,000	200,000	200,000	416,000
b) Property Services - reduction in cost of service		25,000			25,000
c) Commissioning - reduction in cost of service		50,000	65,000		115,000
d) Corporate Overheads - reduction in costs		8,300			8,300
e) Removal of Parish Council Tax Support Funding			5,100	5,100	10,200
Total	0	99,300	270,100	205,100	574,500
6. Use of Reserves					
a) Use of one-off payment holiday on VRP		400,000			400,000
b) MRP saving through change in methodology		95,000			95,000
* Use of Budget Strategy (Support) Reserve	273,919	882,205	426,485		1,308,699
* B/Fwd deficit funded by Budget Strategy (Support) Reserve in previous year		(273,919)	(882,205)	(426,485)	-1,582,609
Total	273,919	1,103,286	-455,720	(426,485)	221,081
Previously Delivered Savings Targets					
Use of NHB to support base budget	700,000				0
L&C Review - trust savings	231,500	* 150,500	43,000		193,500
2020 Vision - Shared Services	150,900				0
Discontinuation of partnership contribution to 'Safe at Home' contract	32,000				0
Democratic Services Unit - reduction in cost of service	10,900				0
GOSS retendering of banking arrangements	10,000				0
Review of Investment Property	10,000				0
Vehicle Operating Lease - reduction in base budget	97,300				0
Central Depot Bulking Facility	46,000				0
Advertising & Sponsorship contract	63,100				0
Total	1,351,700	150,500	43,000	0	193,500
Total Identified Savings/Income	1,754,619	2,016,986	529,880	978,615	3,525,481
Target one-off underspend to boost budget strategy reserve	(350,000)				
Shortfall / (Surplus) against MTFs Funding Gap	(350,000)	0	502,182	(65,857)	436,325

NB: traffic lights denote risk associated with delivery

* denotes decisions already made by Cabinet/Council

		<u>Purpose of Reserve</u>	<u>31/3/16</u>	<u>2016/17</u>	<u>2016/17</u>	<u>2016/17</u>	<u>31/3/17</u>	<u>2017/18</u>	<u>Proposals</u>	<u>2017/18</u>	<u>31/3/18</u>
			£	<u>Movement</u>	<u>Revenue</u>	<u>Re-alignment</u>	<u>Movement</u>	<u>Movement</u>	<u>to Support</u>	<u>Movement</u>	£
				£	£	£	£	£	<u>2017/18 Budget</u>	<u>Capital</u>	
									£	£	
<u>EARMARKED RESERVES</u>											
<u>Other</u>											
RES002	Pension Reserve	To fund future pension liability	-177,246			177,246		0			0
RES003	Economic Development & Tourism Reserve	To fund future economic and tourism studies	-154,200	50,000			-104,200				-104,200
RES005	Keep Cheltenham Tidy Reserve	Keep Cheltenham Tidy campaign - scheme contributions	-626	626			0				0
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	-83,991	5,375			-78,616	36,500			-42,116
RES026	Social Housing Marketing Assessment (SHMA) Reserve	To fund Social Housing Marketing Assessment work	-41,034	-2,500			-43,534	-2,500			
RES009	Twinning Reserve	Twinning towns civic visits to Cheltenham	-11,279				-11,279				-11,279
RES010	Flood Alleviation Reserve	To fund future flood resilience work, delegated to the Flood working group for allocation	-54,227	50,000			-4,227	4,227			0
RES014	GF Insurance Reserve	To fund risk management initiatives / excess / premium increases	-91,606				-91,606				-91,606
RES016	Joint Core Strategy Reserve	To fund Joint Core Strategy	-68,780	50,000			-18,780				-18,780
RES018	Civic Pride Reserve	To pump prime civic pride initiative / match funding	-400,288	105,100		0	-295,188	105,100			-190,088
RES020	Ubico Reserve	Replacement fund	-94,000				-94,000				-94,000
RES021	Cheltenham Leisure & Culture Trust	To cover unforeseen deficits in operations within new trust	-160,600	40,600			-120,000				-120,000
RES022	Homelessness Reserve	To cover future homelessness prevention costs	-41,100				-41,100				-41,100
RES023	Transport Green Initiatives Reserve	To fund Transport Green Initiative Schemes	-33,125				-33,125				-33,125
RES024	New Initiatives reserve	To fund 2020 Vision transformation programme	-400,000	-200,000			-600,000				-600,000
RES025	Budget Strategy (Support) Reserve	To support budget strategy	-973,147	163,183	-309,463		-1,119,427		882,205		-237,222
RES025	Budget Strategy (Support) Reserve	Additional Crematoria income to support budget strategy							-373,550		-373,550
			-2,807,610				-2,677,443				-1,605,877
<u>Repairs & Renewals Reserves</u>											
RES201	Commuted Maintenance Reserve	Developer contributions to fund maintenance	-315,511	59,000			-256,511	59,000			-197,511
RES202	Highways Insurance Reserve	County highways - insurance excesses	0				0				0
RES203	Revs & Benefits IT Reserve	Replacement fund to cover software releases	0				0				0
RES204	I.T. Repairs & Renewals Reserve	Replacement fund	-5,236	5,236			0	-37,200			-37,200
RES206	Delta Place Reserve	maintenance fund		-100,000			-100,000	-100,000			-200,000
RES205	Property Repairs & Renewals Reserve	20 year maintenance fund	-1,495,198	760,900			-734,298	0		474,500	-259,798
			-1,815,946				-1,090,810				-694,510
<u>Equalisation Reserves</u>											
RES101	Rent Allowances Equalisation	Cushion impact of fluctuating activity levels	0	-110,000			-110,000	-41,000			-151,000
RES102	Planning Appeals Equalisation	Funding for one off appeals cost in excess of revenue budget	-207,932				-207,932				-207,932
RES103	Licensing Fees Equalisation	Past income surpluses to cushion impact of revised legislation	0				0				0
		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									
RES104	Interest Equalisation		-299,855	167,638	132,217		0				0
RES105	Local Plan Equalisation	Fund cyclical cost of local plan inquiry	-107,230				-107,230				-107,230
RES106	Elections Equalisation	Fund cyclical cost of local elections	-152,100	60,000			-92,100				-92,100
RES107	Car Parking Equalisation	To fund fluctuations in income from closure of car parks	-330,000				-330,000				-330,000
RES108	Business Rates Retention Equalisation	To fund fluctuations in income from retained business rates	-1,263,916	1,123,916			-140,000	140,000			0
			-2,361,032				-987,261				-888,261

	<u>Purpose of Reserve</u>	<u>31/3/16</u>	<u>2016/17</u>	<u>2016/17</u>	<u>2016/17</u>	<u>31/3/17</u>	<u>2017/18</u>	<u>Proposals</u>	<u>2017/18</u>	<u>31/3/18</u>
		£	<u>Movement</u>	<u>Re-alignment</u>	<u>Movement</u>	£	<u>Movement</u>	<u>to Support</u>	<u>Movement</u>	£
			£	£	£		£	<u>2017/18 Budget</u>	<u>Capital</u>	
<u>Reserves for commitments</u>										
RES301	Carry Forwards Reserve	Approved budget carry forwards	-312,500	312,500		0				0
<u>CAPITAL</u>										
RES402	Capital Reserve - GF	To fund General Fund capital expenditure	-182,097	-37,200		-219,297				-219,297
TOTAL EARMARKED RESERVES			-7,479,185			-4,974,811				-3,407,945
<u>GENERAL FUND BALANCE</u>										
B8000 -	General Balance - RR	General balance	-1,358,591			-1,358,591				-1,358,591
B8240			-1,358,591			-1,358,591				-1,358,591
TOTAL GENERAL FUND RESERVES AND BALANCES			-8,837,776	2,504,374	0	0	-6,333,402	164,127	508,655	474,500
B8700 -										
B8716	General Fund Capital Receipts		-9,211,519		1,738,200	-7,473,319			5,403,394	-2,069,925

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Budget 2016/17 £	Revised Budget 2016/17 £	Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £
		Property Services						
CAP601	PB/C/PPMR	Crematorium Scheme: New Build	New cremators	6,316,200	316,200	6,564,800	-	-
CAP602	PB	Crematorium: Contingencies	New cremators	882,900	-	391,100	-	-
CAP603	PB	Crematorium Scheme: Resourcing	New cremators	236,600	118,800	52,200	-	-
CAP505	PB/GCR	Town Centre acquisitions	Acquisition of Shopfitters	389,400	389,400	-	-	-
CAP503	GCR	Bus Station	Demolition of existing concrete bus shelter and waiting room and provision of services to supply new café facility	50,000	50,000	-	-	-
NEW	PB/GCR	Investment Property Portfolio	To increase the Council's property portfolio.			10,200,000	-	-
		Financial Services						
CAP010	GCR	GO ERP	Development of ERP system within the GO Partnership	14,700	14,700	-	-	-
		ICT						
CAP026	GCR	IT Infrastructure	5 year ICT infrastructure strategy	226,400	226,400	100,000	100,000	100,000
	HCR		Telephony		60,000	-	-	-
		WELLBEING & CULTURE						
		Parks & Gardens						
CAP101	S106	S.106 Play area refurbishment	Developer Contributions	50,000	50,000	50,000	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	121,400	105,300	80,000	80,000	80,000
CAP125	GCR/S106/P	Pittville Park play area	Investment in the play area	134,900	234,000	12,500	-	-
CAP501	GCR	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	579,600	20,000	559,600	-	-
		Cultural Services						
CAP126	GCR	Town Hall redevelopment scheme	Preliminary work, subject to Council approving a detailed scheme and a business case	400,000	40,000	360,000	-	-
CAP124	GCR	Town Hall Chairs	Replacement of Town Hall chairs on a like for like basis	5,300	5,900	-	-	-

Code	Fund	Scheme	Scheme Description	Budget 2016/17 £	Revised Budget 2016/17 £	Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £
		<u>REGULATORY & ENVIRONMENTAL SERVICES</u>						
CAP152	CPR	Civic Pride	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.	75,400	28,500	46,900	-	-
CAP154	CPR/S106	Civic Pride	St.Mary's churchyard - Public Art Scheme	59,600	20,000	39,600	-	-
CAP155	P	Pedestrian Wayfinding	GCC Pedestrian Wayfinding	48,000	48,000	-	-	-
CAP156	S106	Hatherley Art Project	Public Art - Hatherley	11,800	11,800	-	-	-
CAP204	CPR	Civic Pride	Improvements to Grosvenor Terrace Car Park (Town Centre East), improving linkages to the High Street, signage and decoration.	115,500	5,000	110,500	-	-
CAP201	GCR	CCTV in Car Parks	CCTV upgrade in order to improve shopping areas and reduce fear of crime	315,000	15,000	300,000	50,000	50,000
CAP202	GCR	Car park management technology	New or upgraded car park machines to allow additional monitoring functionality to be introduced for the benefit of customers and service management.	37,100	-	37,100	-	-
CAP205	GCR	Public Realm Improvements	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	491,000	85,000	406,000	-	-
CAP206	GCR	Car Park Investment	The upgrade of the car park management technology at selected sites such as Regent Arcade is essential, as some of the existing management systems and hardware have now reached the end of their useful life.	250,000	-	250,000	-	-
		Housing						
CAP221	BCF	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	450,000	500,000	500,000	500,000
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	-	15,000	15,000	15,000
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	-	100,000	175,200	-	-
CAP224	LAA	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems	68,400	10,000	58,400	-	-
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	807,800	-	-	-	-

Code	Fund	Scheme	Scheme Description	Budget 2016/17 £	Revised Budget 2016/17 £	Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £
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	1,000,000	330,000	670,000	-	-
CAP301	PB/GCR	OPERATIONS 10 Year vehicle Replacement	CBC & Ubico vehicle & plant replacement programme	2,348,700	196,000	3,063,000	913,000	404,000
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	98,200	-	-	-	-
	GCR	FUTURE CAPITAL PROGRAMME: Town Hall redevelopment (£1.8m)	Subject to Council approving a detailed scheme and a business case					
	GCR	Public Realm improvements (£2m)	Pending the completion of the Cheltenham Transport Plan process					
		TOTAL CAPITAL PROGRAMME		16,035,100	2,930,000	24,041,900	1,708,000	1,199,000
Funded by: BCF Better Care Fund (DFG) LAA LAA Performance Reward Grant P Partnership Funding PSDH Private Sector Decent Homes Grant PPMR Property Planned Maintenance Reserve S106 Developer Contributions S106 HCR HRA Capital Receipts GCR GF Capital Receipts PB Prudential Borrowing C GF Capital Reserve				383,000	450,000	500,000	500,000	500,000
				68,400	10,000	58,400	-	-
				48,000	98,000	-	-	-
				275,200	100,000	175,200	-	-
				474,500	-	474,500	-	-
				1,103,800	473,800	759,600	50,000	50,000
				-	60,000	-	-	-
				5,321,600	1,738,200	5,403,394	745,000	649,000
				8,360,600	-	16,670,806	413,000	-
				-	-	-	-	-
				16,035,100	2,930,000	24,041,900	1,708,000	1,199,000

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2017/18 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	12,000
	Consequential works arising from asbestos risk assessments/ inspections	10,000
	Installation of safety filming to doors and windows as regulation 14 H&SW act	3,000
	Fixed Wiring inspections/ EIC Certification	15,000
	Consequential works arising from Statutory Inspections	15,000
	Energy reduction schemes LED, controls, insulation etc	10,000
	Contingency fund for compliance/ H&S remedial work	10,000
Pittville Pump Room	Redecorations to external elevations at high level	35,000
	Remodel RWG outlet to Loggia where water staining and make good decorations	8,000
	Remedial repairs to ornate internal plasterwork to ceiling	5,000
	Rebuild retaining wall outside of kitchen	3,500
	Investigate deflection to first floor east room	1,800
	Redecorations to reception area and floor covering renewal	5,000
	Replace CCTV camera to rear car park to capture whole area	1,200
	Redecorations to external high-level windows inc., minor repairs	25,000
Pittville Recreation Centre	Gym/Dance Studio AHU (additional to 16/17 budget as original budget inadequate)	10,000
	Replace damaged fencing to CHP external radiator	4,000
	Tree works to Hudson Street (combined with Green Space contribution)	22,000
	Cathodic protection to Basement area (ongoing structural repair works)	20,000
	Repairs to Wet changing areas floor tiling	12,000
	General redecorations	5,000
	Repairs to poolside tiling	10,000
	Main hall - Seat replacements (ongoing)	9,000
Town Hall	Renew intruder alarm heads	1,500
	Remedial repairs to cellar basement to prevent leaking	3,500
	Remedial repairs to CCTV system	2,000
	Roof repairs	20,000
All Properties (Car Parks)	Repairs to car parks pot hole and other misc repairs	10,000
Arle Nursery	Install safety filming to glazing (legislation)	10,300
	Ongoing phased replacement of irrigation pipework	6,000
	Reinstate automatic watering facility to Tunnels 2,3 &4	3,000
	Repairs/refurbishment of Polythene covering/timber frame	2,500
Art Gallery & Museum	Improvements to fire compartmentation from FRA report	35,000
Municipal Offices	Overhaul windows - will require access equipment	25,000
	FRA upgrade to doors	16,000
	Renew reception lobby flooring	15,000
	Renew defective main roof skylights (by lift motor room)	4,000
	Provision of additional security to the basement area and fire escape stairs	3,000
Cheltenham Crematorium	Road resurfacing programme	20,000
	Repairs and decoration to Grade II Arbour houses	15,000
Honeybourne railway bridges	Remedial repairs to bird netting	6,000
Pilley Footbridge	Remedial structural repairs and re-painting	110,000
Burrows Pavilion	Replacement of non-slip floor coverings in shower areas	3,500
QE11 Playing Field	Annual removal of leachate contaminants from catch-pit and disposal	1,500
Cenotaph War Memorial	DOF Stone Cleaning	4,200
St Mary's Mission	Repainting & remedial repairs to rendering	3,500
Long Gardens	Restoration of stone base to lamp standards	8,000
Total Programme Maintenance (agreed by AMWG)		600,000



Pay Policy Statement

For all Employees at
Cheltenham Borough Council

2017/2018



1. Purpose

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

1.2. The Statement sets out Cheltenham Borough Council's (The Council) policies relating to the Pay of its workforce for the financial year 2017-18, in particular: -

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

2. Definitions

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

- **Chief Officers** as detailed in paragraph 7.1 of the document.
- **Lowest paid employees** of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 31st March 2017 the Grade A band will be from £14,514.00 to £14,975 per annum, made up of 4 incremental pay points.
- **Employees who are not Chief Officers** - refers to all staff not covered under the Chief Officer group detailed above.

3. Pay Framework & Remuneration Levels

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

4. Responsibility for Decisions

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

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

- Chief Executives - Joint Negotiating Committee for Local Authority Chief Executives (ALACE is normally the negotiating body for pay, unless varied locally);
- Chief Officers – Joint Negotiating Committee for Chief Officers of Local Authorities

- All other employees – National Joint Council for local Government Services.

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

- Pension
- Occupational Sickness Scheme
- Maternity Scheme
- Overtime

5. Grading Framework & Salary Grades

5.1. Grading Framework

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

Employees move up one incremental point per year. Annual increments within a pay band shall be payable until the maximum incremental point of the grade is reached subject to the line manager being satisfied that an employee has achieved a suitable standard of performance. Increments may be accelerated or withheld based upon outstanding or poor performance respectively.

Annual increments will be payable on 1 April each year to the maximum of the grade. Employees must have completed a minimum of six months service in their current post to qualify for an increment at 1 April.

For clarity, employees starting in their current post between 1 April and 1 October receive an increment, if applicable, the following April. Employees starting after 1 October and before 1 April receive an increment, if applicable, after six months in the post.

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

5.2. Shared Posts/Lead Employer

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

5.3. Salary Grades

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

6. Electoral Registration and Returning Officer

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

<http://www.legislation.gov.uk>

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

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

The Electoral Registration and Returning Officer for the Council is the Head of Paid Service.

7. Remuneration - level & element

7.1 Chief Officers (see appendix 9ii)

Head of Paid Service	Head of Paid Service Spot Grade	£99,975 p.a.
Managing Director/Director	Director Level Band 3	£67,392 - £77,884 p.a.
Director	Director Level Band 4	£55,759 - £63,615 p.a.

7.2. Non Chief Officers

Employees	11 Grades A to K (see appendix 9i)
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7.3. New Starters Joining the Council

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

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

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

7.3. Lowest Paid Employees

Lowest paid employees of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 31st March 2017 the Grade A band will be from £14,514.00 to £14,975 per annum, made up of 4 incremental pay points.

For pay comparison purposes the top of pay grade will always be used.

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

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

The Council aims to pay no more than median salary levels when looking at market rates, and in the case of senior roles it will seek to maintain pay differentials well within the parameters recommended by the pay and pensions review (1:20). For the Council, using the salary information as at 31st March 2017 the current ratio of *highest paid to lowest paid is 1:7. The ratio between the *highest paid salary and the median paid salary of the Council's workforce is 1:4.

Lowest Paid Employee (Top of current salary band Grade A) (Excludes Living Wage Allowance)	£14,975
Mean Paid Employee (Average salary band of all employees up to & including Chief Officers)	£27,448
Median Paid Employee (Middle Salary band value of all employees up to & including Chief Officers)	£23,166
Highest Paid Employee	£99,975

7.5. Bonuses

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

7.6. Performance Related Pay

Other than incremental progression through the pay grade of a post (see section 5.1) the Council does not operate performance related pay for any chief officer or any other employee.

7.7. Pay Protection

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

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

7.8. Severance Payments

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

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

The amount of redundancy pay will be calculated as –

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

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

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

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

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

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

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

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

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

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

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

7.10. Early/Flexible Retirements

The precise terms of the Council's policy are discretionary and may be varied unilaterally.

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

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

7.11. Honorarium Payments

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

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

Or

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

7.12. Acting up Allowances

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

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

7.13. Market Forces Supplement

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

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

8. Reimbursement of Expenses

8.1 Travel & Subsistence

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

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

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

8.2 Disturbance Allowance

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

8.3. Relocation Expenses

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

The same policy applies to Chief Executive, Chief Officers and other employees in that payment will be made against a range of allowable costs for items necessarily incurred in selling and buying a property and moving into the area. The costs include estate agents fees, legal fees, stamp duty, storage and removal costs, short term rental etc up to the value of £8,000.(including VAT). An employee who leaves within 2 years of appointment will have to make a repayment of 1/24th for each month short of the 2 year period.

8.4. Professional Fees & Subscriptions

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

9. Re-employment of Former Council Employees

With regards to re-employing former local government employees who have been made redundant, in line with LGA guidance **if there is less than a 4 week gap between the date the employee was made redundant from the Council/a body under the modification order and the date of joining/re-joining a Council the employee will be required to repay their redundancy payment to their previous employer as continuity of service will be protected and their employment classed as continuous.** If the gap is longer than 4 weeks the employee can retain their payment as continuity of service will have been broken and continuous service will not be protected.

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

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

11. Trade Union Recognition and Facility Time

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

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

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

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

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

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

12. National Minimum Wage/Living Wage

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

The NMW rates from 1 April 2017 are:

- £7.05 (per hour) for workers 21 years of age and over
- £5.60 (per hour) 18 - 20 years of age
- £4.05 (per hour) for 16-17 years of age, who are above school leaving age but under 18 years of age

The National Living Wage

From **1 April 2017** all workers aged 25 and over are legally entitled to at least £7.50 an hour.

The Council's comparative Grade hourly rate is Grade A scp 7, £7.57. Grade A is used as a stepping stone grade from Apprentice to Trainee role. The employees on Grade A are usually under 21. The majority of the Council's employees are on Grade B scp 10, £7.89 and above.

The UK Living Wage

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

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

The Living Wage rates for 2017-18 are:

- £8.45 (per hour) UK rate outside London
- £9.75 (per hour) UK rate for London

From the 1st October 2014, this Council has chosen to pay the Living Wage Hourly rate to **all eligible employees** by way of an additional Living Wage Allowance. The Council will review its decision to pay the Living Wage annually at the Budget Setting Council meeting.

13. Other operational/non-operational pay and conditions

Other pay and conditions in operation, as follows:

- Shift premium
- Stand by and call out payments

- Premium for bank holiday/public holiday working
- Long Service Award
- Enhanced Leave – buy or sell up to an additional 5 days leave.
- Childcare Vouchers Salary Sacrifice Scheme
- Training Fees Reimbursement (post entry training scheme)
- Employee Welfare Service
- Eye Test Voucher Scheme

14. Publication and access to information

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

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Please contact GO Shared Service HR & Payroll Business Centre Team on 01242 77 5164 or email jobs@cheltenham.gov.uk for more information about this Statement and/or its contents.

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

New pay scales following pay award April 2016

		NEW		WEEKLY	HOURLY	JE Points
SCP	GRADE	ANNUAL	MONTHLY	Weekly RATE	Hourly RATE	Score
GRADE		SALARY APR 2016	SALARY	37 hr week	37 hr week	
006	Grade A	£14,514	£1,209.50	£278.36	7.523	0-294
007	Grade A	£14,615	£1,217.92	£280.29	7.575	
008	Grade A	£14,771	£1,230.92	£283.28	7.656	
009	Grade A	£14,975	£1,247.92	£287.20	7.762	
010	Grade B	£15,238	£1,269.83	£292.24	7.898	295-344
011	Grade B	£15,507	£1,292.25	£297.40	8.038	
012	Grade B	£15,823	£1,318.58	£303.46	8.202	
013	Grade B	£16,191	£1,349.25	£310.52	8.392	
014	Grade C	£16,481	£1,373.42	£316.08	8.543	345-394
015	Grade C	£16,772	£1,397.67	£321.66	8.694	
016	Grade C	£17,169	£1,430.75	£329.27	8.899	
017	Grade C	£17,547	£1,462.25	£336.52	9.095	
018	Grade D	£17,891	£1,490.92	£343.12	9.274	395-444
019	Grade D	£18,560	£1,546.67	£355.95	9.620	
020	Grade D	£19,238	£1,603.17	£368.95	9.972	
021	Grade D	£19,939	£1,661.58	£382.40	10.335	
022	Grade E	£20,456	£1,704.67	£392.31	10.603	445-494
023	Grade E	£21,057	£1,754.75	£403.84	10.915	
024	Grade E	£21,745	£1,812.08	£417.03	11.271	
025	Grade E	£22,434	£1,869.50	£430.25	11.628	
026	Grade F	£23,166	£1,930.50	£444.29	12.008	495-544
027	Grade F	£23,935	£1,994.58	£459.03	12.406	
028	Grade F	£24,717	£2,059.75	£474.03	12.812	
029	Grade F	£25,694	£2,141.17	£492.77	13.318	
030	Grade G	£26,556	£2,213.00	£509.30	13.765	545-594
031	Grade G	£27,394	£2,282.83	£525.37	14.199	
032	Grade G	£28,203	£2,350.25	£540.89	14.619	
033	Grade G	£29,033	£2,419.42	£556.81	15.049	
812	Grade H	£29,663	£2,471.89	£568.88	15.375	595-644
813	Grade H	£30,814	£2,567.84	£590.96	15.972	
814	Grade H	£31,964	£2,663.71	£613.03	16.568	
815	Grade H	£33,112	£2,759.32	£635.03	17.163	
722	Grade I	£33,773	£2,814.45	£647.72	17.506	645-694
723	Grade I	£35,077	£2,923.11	£672.73	18.182	
724	Grade I	£36,398	£3,033.20	£698.06	18.867	
725	Grade I	£37,705	£3,142.11	£723.13	19.544	
632	Grade J	£38,310	£3,192.53	£734.73	19.858	695-744
633	Grade J	£39,920	£3,326.69	£765.61	20.692	
634	Grade J	£41,532	£3,461.02	£796.52	21.528	
635	Grade J	£43,153	£3,596.11	£827.61	22.368	
542	Grade K	£43,992	£3,665.96	£843.69	22.802	745 +
543	Grade K	£45,977	£3,831.44	£881.77	23.832	
544	Grade K	£47,952	£3,995.98	£919.64	24.855	

<u>Cheltenham Borough Council</u> <u>PEI Grades 4 to 1</u> <u>(JNC Chief Officer conditions of service)</u> <u>1st April 2016</u>					
	GRADE	Annual Salary 2015	Annual Salary April 2016	MONTHLY SALARY	HOURLY RATE
SCP	DESCRIPTION				
454	Grade 4 - Director Level	£ 55,207.00	£55,759.00	£ 4,646.58	£ 28.9018
455	Grade 4 - Director Level	£ 57,792.00	£58,370.00	£ 4,864.17	£ 30.2552
456	Grade 4 - Director Level	£ 60,390.00	£60,994.00	£ 5,082.83	£ 31.6153
457	Grade 4 - Director Level	£ 62,985.00	£63,615.00	£ 5,301.25	£ 32.9739
364	Grade 3 - Director Level	£ 66,725.00	£67,392.00	£ 5,616.00	£ 34.9316
365	Grade 3 - Director Level	£ 70,183.00	£70,885.00	£ 5,907.08	£ 36.7422
366	Grade 3 - Director Level	£ 73,641.00	£74,377.00	£ 6,198.08	£ 38.5522
367	Grade 3 - Director Level	£ 77,113.00	£77,884.00	£ 6,490.33	£ 40.3700
274	Grade 2 - Deputy Chief Executive - grade no longer used	£ 79,575.00	£80,371.00	£ 6,697.58	£ 41.6591
275		£ 83,702.00	£84,539.00	£ 7,044.92	£ 43.8195
276		£ 87,849.00	£88,727.00	£ 7,393.92	£ 45.9903
277		£ 91,975.00	£92,895.00	£ 7,741.25	£ 48.1507
	Grade 1 Head of Paid Service	Not applicable	£99,975.00	£8,331.25	£51.821

Cheltenham Borough Council

Cabinet – 24 February 2017

Council – 24 February 2017

Housing Revenue Account - Revised Forecast 2016/17 and Budget Proposals 2017/18 for Consultation

Accountable member	Cabinet Member for Finance, Rowena Hay
Accountable officer	Section 151 Officer, Paul Jones
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the Housing Revenue Account (HRA) revised forecast for 2016/17 and the Cabinet's budget proposals for 2017/18.
Recommendations	<ol style="list-style-type: none"> 1. Note the revised HRA forecast for 2016/17. 2. Approve the HRA budget proposals for 2017/18 (Appendix 2) including a proposed rent decrease of 1% and changes to other rents and charges as detailed within the report. 3. Approve the proposed HRA capital programme for 2017/18 as shown at Appendix 3.

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Paul Jones.</p> <p>E-mail: paul.jones@cheltenham.gov.uk</p> <p>Tel no: 01242 775154</p>
Legal implications	<p>There are no specific legal implications arising from the report.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@teWKesbury.gov.uk</p> <p>Tel no: 01684 272012</p>
HR implications (including learning and organisational development)	<p>No direct HR implications arising from this report.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
Key risks	As outlined in Appendix 1

Corporate and community plan Implications	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
Environmental and climate change implications	The budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings

1. Introduction

The following amendments have been made to the figures in the interim budget report approved by Cabinet on 13th December 2016 to reflect latest information:-

- Forecast repair and maintenance expenditure in 2016/17 has been reduced by a further £49,600 to £3,789,000 for the year (reflecting ongoing lower demand), a saving of £350,000 against the original budget.
- Forecast capital expenditure in 2016/17 has been reduced by £74,500 (existing stock £29,800 and new build £44,700) to £11,538,100. This also reduces the required revenue contributions to fund capital by the same amount.
- Expenditure on new build and acquisitions in 2017/18 and the following two years has been re-profiled, resulting in an overall reduction of £131,700 during the period.

The impact of these changes is to increase forecast revenue reserves at 31st March 2017 by a further £124,100 to £6,176,100 and by 31st March 2020 a further £255,800 to £2,596,200.

2. Background

- 2.1 The 2016/17 budget report approved by Council in February 2016 contained CBH proposals to mitigate the estimated loss of £6.7m in rent income (compared with that forecast under the previous rent policy) in the four year period from April 2016 to March 2020 following the introduction of the Government's rent reduction policy (Housing providers being required to reduce rents by 1% per annum each year within that period).
- 2.2 The proposals recommended a balanced approach requiring CBH management and maintenance savings of £1.7m, a re-alignment of the capital programme reducing outlay to March 2020 by £2.7m, the use of revenue reserves totalling £2.2m and other cost savings of £0.1m.
- 2.3 This approach would enable CBH to:-
 - Maintain existing service levels
 - Retain the decent homes standard throughout the stock
 - Deliver the major windows and doors replacement programme
 - Complete the current new build programme to March 2018
 - Leave at least £1.5m reserves as a contingency.

3. Progress on housing policy changes

Significant changes in Government policy were contained in the Welfare Reform & Work Act 2016 and the Housing & Planning Act 2016. These acts established the legal framework for the policy changes but much of the detail is still to follow in regulations to be published by the Secretary of State. The current position on the implementation of the most significant changes is as follows:-

- **Rent reduction**

Rents will again be reduced by 1% in April 2017 being the second year of the four year policy. The Government has not given any further information on rent policy from April 2020 onwards.

- **Extension of Right to Buy to Housing Associations**

A pilot scheme with 5 housing associations offering up to 600 homes has been undertaken in the current year. An evaluation of the pilot scheme will then inform final regulations for the full scheme to be launched next year.

- **HVAS (High Value Asset Sales)**

Local authorities will be required to sell higher value void properties to fund the cost of the RTB extension. The concept is that part of the gross proceeds will be retained by the Council to cover the attributable debt of the property and potentially provide some of the funding for a replacement, with the remainder to Government as part of an annual predetermined levy. Stock valuation and void data was requested by DCLG in December 2015 to enable them to formulate a scheme but the Housing Minister has now confirmed that implementation will be further delayed and no payment will be required from local authorities in 2017/18. There are still serious concerns about the potential scale of the levy which could pose a significant threat to future HRA business plans.

- **Pay to Stay**

The legislation provided for households outside London earning more than £31,000 p.a. to face a rent increase of 15p for each additional £1 of income above the threshold, up to full market rent. The additional rent receivable by local authorities would be paid to Government net of administrative costs. However the Government has now decided not to proceed with a compulsory approach. Local authorities and housing associations will continue to have local discretion as to whether they wish to implement such a scheme. The Government remains committed to introducing the mandatory use of fixed term tenancies for new tenants and expects Councils to take into account the financial circumstances of a household when looking at this, and that tenancies should be targeted on those with lower incomes.

4. HRA Business Plan – Financial Projections

4.1 The financial projections in the 30 year HRA Business Plan have been updated to reflect:-

- Impact of 2015/16 final accounts.
- The revenue and capital impact of the current new build programme (overall cost £9m.), including the funding strategy approved by the Section151 officer which uses available capital receipts and revenue balances before resorting to additional borrowing within the debt cap.

- Latest stock survey information for the need to spend on the existing stock.

The plan also includes the following assumptions:-

- Consumer Price Index (CPI) at 2% per annum for rent increases post 2020.
 - RTB sales at 20 per annum decreasing to 10 per annum in the longer term.
- 4.2 A range of scenarios have then been tested within the model to show the sensitivity to changes to rent policy post 2020, this being the single highest risk to the business plan. Initial modelling suggests:-
- Reversion back to a policy of annual rent increases 1% above CPI would 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 £33m could still be repaid leaving unallocated reserves approaching £100m at year 30.
 - Projections assuming future rent increases at the level of CPI (using 2% as the long term norm) 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. This scenario is being adopted as the base position for the revised 30 year business plan model.
 - 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.

5. 2016/17 Revised Forecast

- 5.1 The forecast at Appendix 2 shows an increase in the operating surplus for the year of £466,900 compared to the original budget. Significant variations within the 2016/17 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 and CBH cost efficiencies	350
Bad Debt Provision – lower arrears than anticipated reflect delays in implementation of welfare reform and roll out of universal credit	50
Rent Income – additional rent from new affordable rented properties completed in year	65
Other variations to expenditure/income	2
Net increase in Operating Surplus for Year	467

- 5.2 The increase in the use of revenue contributions to fund capital expenditure by a further £662,400 reflects the approved funding strategy for new build and acquisitions detailed in paragraph 4.1 above. As a consequence the balance of revenue reserves held at 31st March 2017 is now forecast to be £6,176,100.

6. 2017/18 Budget Proposal

- 6.1 As detailed in paragraph 2 above rents will decrease by 1% in April 2017. 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 for grounds maintenance.
 - An increase of 1.5% for cleaning.
 - Overall charges for power to communal areas are expected to increase by up to 6% following the completion of a new 3 year fixed tariff deal that commences in March 2017.
- 6.3 Following improvements to communal boilers and building insulation and a continuing trend of milder winters it is proposed that fuel charges for communal gas heating will be further reduced by 5% from April 2017.
- 6.4 Significant changes to the HRA (>£30,000) in 2017/18 as compared to the revised forecast for 2016/17 are itemised in the table below. There is a forecast reduction of £636,800 in the operating surplus to £1,407,200.

Budget Heading	Change in resources
	£'000
Increase in general management – includes higher insurance premiums for the stock and a contribution to the debt advice contract	(91)
Decrease in CBH management fee	59
Variance arising from significantly lower demand in current year – 2017/18 based on standard demand volumes	(170)
Increase in bad debt provision – anticipated impact of welfare reform	(85)
Depreciation – cost of inflation	(139)
Decrease in rents (rent reduction & net impact of stock loss offset by new build)	(211)
Net decrease in Operating Surplus for the Year	(637)

- 6.5 Revenue contributions totalling £2,616,900 will be required to fund capital expenditure in the year, reducing revenue reserves to £4,966,400 at 31st March 2018.

7. Cheltenham Borough Homes (CBH) - Fees

- 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 2017/18, which show a breakeven position on services provided to the Council.
- 7.2 The four year HRA plan referred to in section 2 above contained proposals for CBH management and maintenance costs which anticipated savings of £1.7m. over the period (management £0.7m plus maintenance £1m) The company is well advanced in its improvement plans and is now forecasting further management cost savings of £135,000 for the three years to March 2020.

As indicated in paragraph 5.1 above a combination of service efficiencies and significantly lower demand is expected to reduce maintenance costs by £350,000 in the current year. Although the 2017/18 budget includes an increase of £170,000 in forecast costs to reflect a return to standard

demand volumes, it still represents a saving of £171,000 on the projection in the four year plan. Similar savings in the following two years give a total further budget reduction to March 2020 of £755,000.

- 7.3 The cost of delivering the estate cleaning contract has risen by 1.5% (£5,000) which reflects the anticipated cost of the pay award and national insurance contributions.

8. CBH Plans & Progress

CBH has made substantial progress in plans to modernise and transform the housing management and maintenance services delivered to tenants. The key work streams that are driving these improvements are:-

- **Service Improvement programme** – a comprehensive review of all IT systems and associated manual processes to drive efficiency in all areas of the business. A tender for the procurement of fully integrated software has been prepared with the intent to go to market early in 2017. The plan is to complete implementation within 18 months of appointing a supplier.
- **Asset management** – CBH will be using improved data collection to assess the financial and operational impact of each unit of stock. This will inform future option appraisals when a property becomes void and guide strategic debate on the best use of HRA assets. This will be delivered as part of the above mentioned service improvement programme.
- **Reactive repairs** – Improvements in working practices and procurement and investment in mobile technology have already generated cost savings, reflected in the lower maintenance budgets detailed in paragraph 7.2 above. There is an ongoing focus to drive further efficiencies in this area.
- **Garage review** – a long term business plan which will consider future marketing, licence conditions, rent and deposits levels and investment – to be completed in 2017/18 financial year
- **Welfare reform/Universal Credit** – continuing to monitor changes, model impacts on residents and ensure we provide support as and when required.
- **Senior management review** – this has been completed with streamlined teams at both Executive and Leadership team level now in place. This will enable quicker decision making and a more focused approach to delivering continuous improvement.
- **Accommodation strategy** – a new strategy has been developed which seeks to reduce overall costs whilst also supporting more effective working practices across CBH. The aspiration is to rationalise accommodation by March 2020.
- **People strategy** – a full review of how the company looks after staff to ensure they have the skills and support to deliver the best possible service to our customers. The strategy will be written by March 2017 and its actions delivered over the subsequent 3 year period.
- **New supply** – given that resources are likely to be constrained in the medium term there is an emphasis on identifying new opportunities to increase affordable housing in the town to meet local need.

9. Capital Programme

- 9.1 The revised capital programme for 2016/17 reflects the completion of schemes carried forward from the previous year as previously reported to Cabinet and further variations identified during the year.
- 9.2 The detailed capital programme for 2017/18 and indicative programmes for the following two years are shown at Appendix 4. These reflect the investment requirements identified via stock condition surveys and the recent review of the 30 year capital programme.
- 9.3 The proposed funding of the capital programme, together with a statement of balances on the major repairs reserve, is shown at Appendix 3. The main sources of funding remain the major repairs reserve and contributions from the revenue account. The Government's policy to stimulate RTB has increased the availability of capital receipts. An element of those receipts, 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.
- 9.4 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.
- 9.5 Appendix 4 also gives estimates of new build expenditure and funding assumptions for the period to 31st March 2020. The first new build scheme, Garage Sites 2a delivering 10 units of affordable housing, was completed this year to be followed by the Swindon Road development. Two more garage site schemes are being progressed. A proposed scheme at Whaddon Road is currently at outline design stage with a bid for HCA grant having been accepted.
- 9.6 The annual funding plans for new build expenditure will be determined by the Section 151 Officer ensuring maximum benefit and cost efficiency.

10. Reserves

- 10.1 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 and wet perils. The three year projections forecast a reserve balance of £2,596,200 at 31st March 2020.

11. Conclusion

- 11.1 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.

In addition, there is significant future uncertainty regarding the impact of the High Value Asset Sales Levy.

Until there is more certainty re these 2 key areas 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 continues to assess opportunities to increase new supply.

CBH continues to work to the four year plan which will deliver these key objectives despite the significant reduction in forecast rent income. The additional savings identified by the company will strengthen the financial position of the HRA in the medium term.

A close watching brief will be maintained regarding the implementation of a number of government policies so that the impact can be modelled as soon as possible and appropriate action taken to maintain the viability and operational delivery of the HRA.

12. Consultation process

12.1 The budget for 2017/18 has been endorsed by the CBH Board. A summary of the proposals

was sent to all tenants with their quarterly rent statements inviting comments and the detailed report has been reviewed by the Shaping Services Group and the Tenant Scrutiny Improvement Panel. No specific concerns or comments have been received.

Report author	Steve Slater, Executive Director (Finance & Resources), Cheltenham Borough Homes Tel. 01242 264192 e-mail address steve.slater@cheltborohomes.org
Appendices	1. Risk Assessment 2. HRA Operating Account 3. Major Repairs Reserve and HRA Capital Programme (summary) 4. HRA Capital Programme (detail)
Background information	1. HRA 30 year Business Plan 2. CBH Budgets and Plans 2017/18

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	If the compulsory sale of high value properties depletes significant numbers and specific types of stock, there will be a significant impact upon both stock availability and financial viability.	Tim Atkins	December 2015	4	4	16	R	Further detail is awaited from Government on the implementation of this new initiative. Potential measures to offset the impact are currently being investigated by CBH management.	Mar 2018	CBH through management agreement	
1.02	If CBH are unable to deliver savings to offset lower income as a consequence of 4 year rent reductions	Tim Atkins	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	
1.03	If there is a further change to the Government's social rent policy that reduces anticipated rent income	Tim Atkins	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	
1.04	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	Tim Atkins	December 2012	3	4	12	R	The HRA budget includes specific resources to control rent arrears and support tenants through Welfare Reform/Universal Credit.	Mar 2018	CBH through management agreement	
1.05	If void rent loss is higher than estimated it will impact on assumed rent income in the HRA	Tim Atkins	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	Mar 2018	CBH through management agreement	

								termination rates monitored			
1.06	If the demand for reactive repairs increases there may be insufficient budget to meet demand	Tim Atkins	December 2012	4	3	12	R	Maintain robust stock condition data. Major peril to the stock is fire/flood which is covered by appropriate insurance.	Mar 2018	CBH through management agreement	
1.07	If there is insufficient capacity to deliver the ambitious programme of building works then the programme may not be deliverable	Tim Atkins	December 2012	2	3	6	R	The HRA budget includes specific resources to address capital programme works	Mar 2018	CBH through management agreement	
1.08	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	Tim Atkins	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 Operational Working Group	

HRA OPIUNT

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2016/17

2017/18

2018/19

2019/20

Original

Forecast

Estimate

Projections

£

£

£

£

£

EXPENDITURE

General & Special Management	2,097,900	2,076,500	2,168,000	2,161,200	2,191,800
ALMO Management Fee	5,142,000	5,142,000	5,083,000	5,107,000	5,139,000
Rents, Rates, Taxes and Other Charges	60,000	59,000	59,000	59,000	59,000
Repairs & Maintenance	4,139,000	3,789,000	3,958,800	3,994,800	4,024,100
Provision for Bad Debts	200,000	150,000	235,000	280,000	320,000
Interest Payable	1,684,700	1,684,700	1,684,700	1,684,700	1,684,700
Depreciation of Dwellings	5,395,200	5,381,500	5,511,400	5,659,000	5,819,100
Depreciation of Other Assets	179,800	174,400	183,500	192,900	197,100
Debt Management Expenses	79,800	79,800	80,000	81,600	83,200

TOTAL**18,978,400****18,536,900****18,963,400****19,220,200****19,518,000****INCOME**

Dwelling Rents	18,922,000	18,987,300	18,775,400	18,624,800	18,484,400
Non Dwelling Rents	422,000	422,000	423,600	428,700	433,900
Charges for Services and Facilities	835,100	824,400	857,000	873,700	890,800
Supporting People Grant	90,000	79,200	62,500	31,300	-
Feed in Tariff from PV Installations	205,100	207,200	213,400	219,800	226,400

TOTAL**20,474,200****20,520,100****20,331,900****20,178,300****20,035,500****NET INCOME FROM SERVICES**

1,495,800

1,983,200

1,368,500

958,100

517,500

Amortised Premiums/Discounts

7,300

7,300

-

-

Interest Receivable

74,000

53,500

38,700

30,000

20,000

NET OPERATING SURPLUS

1,577,100

2,044,000

1,407,200

988,100

537,500

Appropriations

Revenue Contributions to Capital

-1,246,600

-1,909,000

-2,616,900

-3,001,200

-894,600

Net Increase/(Decrease) in reserves

330,500

135,000

-1,209,700

-2,013,100

-357,100

Revenue Reserve brought forward

5,856,900

6,041,100

6,176,100

4,966,400

2,953,300

Revenue Reserve carried forward

6,187,400

6,176,100

4,966,400

2,953,300

2,596,200

Average Social Rent:-				
Decrease 1st April			-1.00%	-1.00%
48 wk	88.36	87.48	86.61	85.74
52 wk	81.56	80.74	79.95	79.14
Average stock	4,495	4,476	4,456	4,436

Average Affordable Rent:-				
Decrease 1st April			-1.00%	-1.00%
48 wk	109.39	118.66	149.04	144.27
52 wk	100.97	109.54	137.57	133.17
Average stock	14	28	38	56

MAJOR REPAIR

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	2016/17 Original £	Forecast £	2017/18 Estimate £	2018/19 Projections £	2019/20 £
Balance brought forward	747,400	508,200	-	-	-
Depreciation of Dwellings	5,395,200	5,381,500	5,511,400	5,659,000	5,819,100
Depreciation of Other Assets	179,800	174,400	183,500	192,900	197,100
	<u>6,322,400</u>	<u>6,064,100</u>	<u>5,694,900</u>	<u>5,851,900</u>	<u>6,016,200</u>
Utilised to fund Capital Programme	-6,322,400	-6,064,100	-5,694,900	-5,851,900	-6,016,200
Balance carried forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

HRA CAPITAL PROGRAMME

	2016/17 Original *	Forecast	2017/18 Estimate	2018/19 Projections	2019/20
	£	£	£	£	£
EXPENDITURE					
EXISTING STOCK					
Property Improvements & Major Repairs	7,759,000	7,805,000	7,758,400	7,304,800	6,129,200
Adaptions for the Disabled	400,000	400,000	400,000	400,000	400,000
Environmental Works (Tenant Selection)	10,000	15,000	10,000	10,000	10,000
Repurchase of Shared Ownership Dwellings	50,000	50,000	50,000	50,000	50,000
	<u>8,219,000</u>	<u>8,270,000</u>	<u>8,218,400</u>	<u>7,764,800</u>	<u>6,589,200</u>
NEW BUILD & ACQUISITIONS	-	3,268,100	2,459,400	2,407,300	1,265,600
TOTAL	<u>8,219,000</u>	<u>11,538,100</u>	<u>10,677,800</u>	<u>10,172,100</u>	<u>7,854,800</u>
FINANCING					
Capital Receipts	450,000	2,356,000	2,166,000	969,000	694,000
HRA Revenue Contribution	1,246,600	1,909,000	2,616,900	3,001,200	894,600
Leaseholder & Other Contributions	200,000	200,000	200,000	350,000	250,000
Major Repairs Reserve	6,322,400	6,064,100	5,694,900	5,851,900	6,016,200
New Build Reserve	-	1,009,000	-	-	-
TOTAL	<u>8,219,000</u>	<u>11,538,100</u>	<u>10,677,800</u>	<u>10,172,100</u>	<u>7,854,800</u>

* Original Budget only included funding strategy for existing stock

PROPERTY IMPROVEMENTS

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WORKS

Description of works	2016/17	2017/18	2018/19	2019/20
EXTERNAL IMPROVEMENTS	1,043,000	875,000	882,000	824,000
INTERNAL IMPROVEMENTS	234,000	312,000	276,000	258,000
PATHS, FENCES & WALLS	258,000	270,000	300,000	270,000
WORKS TO BUILDING FABRIC	149,000	150,000	150,000	150,000
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	54,000	75,000	75,000	-
RENEWAL OF HEATING SYSTEMS	747,000	758,000	758,000	758,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	524,000	495,000	450,000	450,000
WINDOWS & DOORS	3,371,000	3,200,000	2,290,000	2,025,000
ASBESTOS	165,000	140,000	140,000	140,000
SHELTERED ACCOMMODATION	73,000	30,000	30,000	30,000
NEIGHBOURHOOD WORKS	214,000	200,000	-	-
DOOR ENTRY SCHEMES	55,000	163,000	92,000	47,000
STRUCTURAL WORKS	14,000	50,000	50,000	50,000
COMMUNAL LIGHTING	174,000	90,500	148,000	62,000
FIRE PROTECTION	70,000	79,200	94,500	78,000
LIFTS	9,000	75,000	140,000	10,000
WARDEN CALL UPGRADE	-	-	500,000	-
GARAGE IMPROVEMENTS	1,000	25,000	25,000	25,000
COMMERCIAL PROPERTIES	26,000	-	25,000	25,000
FEE FOR MANAGING PROGRAMME	624,000	636,000	646,000	659,000
CONTINGENCY	-	134,700	233,300	268,200
TOTAL BUDGET FOR EXISTING PROPERTIES	7,805,000	7,758,400	7,304,800	6,129,200

NEW BUILD & ACQUISITIONS

	2016/17	2017/18	2018/19	2019/20
COUNCIL APPROVED				
GARAGE SITES 2A	782,000	20,000	-	-
GARAGE SITES 2B	375,000	661,700	29,600	-
GARAGE SITES 2C	41,600	1,191,900	417,800	-
SWINDON ROAD	1,087,000	19,000	-	-
MARKET PURCHASE	828,000	227,000	-	-
SCHEMES SUBJECT TO TENDER & COUNCIL APPROVAL				
CURRENT ESTIMATE FOR PIPELINE SCHEMES	154,500	339,800	1,959,900	1,265,600
TOTAL ESTIMATE FOR NEW BUILD & ACQUISITIONS	3,268,100	2,459,400	2,407,300	1,265,600

