



Notice of a meeting of Cabinet

**Tuesday, 13 February 2018
6.00 pm
Pittville Room - Municipal Offices**

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 meetings held on 5 December and 12 December 2017	(Pages 5 - 20)
4.		PUBLIC AND MEMBER QUESTIONS AND PETITIONS These must be received no later than 12 noon on the fourth working day before the date of the meeting	
		SECTION 2 : THE COUNCIL <i>There are no matters referred to the Cabinet by the Council on this occasion</i>	
		SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEE <i>There are no matters referred to the Cabinet by the Overview and Scrutiny Committee on this occasion</i>	
		SECTION 4 : OTHER COMMITTEES <i>There are no matters referred to the Cabinet by other Committees on this occasion</i>	
		SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS	
5.		DISCRETIONARY HOUSING PAYMENTS POLICY Report of the Cabinet Member Finance	(Pages 21 - 32)
6.		DISCRETIONARY BUSINESS RATES RELIEFS	(Pages

		Report of the Cabinet Member Finance	33 - 44)
7.		EVENTS PROGRAMME Report of the Cabinet Member Finance	(Pages 45 - 74)
8.		TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2018/19 Report of the Cabinet Member Finance	(Pages 75 - 112)
9.		BUDGET MONITORING REPORT 2017/18 - POSITION AS AT DECEMBER 2017 Report of the Cabinet Member Finance-TO FOLLOW	
10.		FINAL GENERAL FUND REVENUE AND CAPITAL BUDGET PROPOSALS 2018/19 (INCLUDING SECTION 25) Report of the Cabinet Member Finance TO FOLLOW	
11.		FINAL HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS 2018/19 Report of the Cabinet Member Finance TO FOLLOW	
		SECTION 6 : BRIEFING SESSION • Leader and Cabinet Members	
12.		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	
		SECTION 9 :LOCAL GOVERNMENT ACT 1972-EXEMPT BUSINESS	
13.		LOCAL GOVERNMENT ACT 1972-EXEMPT BUSINESS The Cabinet is recommended to approve the following resolution:- “That in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3, Part (1) Schedule (12A) Local Government Act 1972, namely: Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)	
14.		EXEMPT MINUTES To approve the exempt minutes of the meeting held on 5	(Pages 113 -

		December 2017	116)

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Cabinet

Tuesday, 5th December, 2017
6.00 - 6.40 pm

Attendees	
Councillors:	Steve Jordan (Leader of the Council), Flo Clucas (Cabinet Member Healthy Lifestyles), Rowena Hay (Cabinet Member Finance), Peter Jeffries (Cabinet Member Housing) and Andrew McKinlay (Cabinet Member Development and Safety)
Also in attendance:	Councillor Wendy Flynn

Minutes

1. APOLOGIES

Apologies were received from Councillors Coleman and Whyborn.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting held on 7 November were signed and approved as a correct record.

4. PUBLIC AND MEMBER QUESTIONS AND PETITIONS

There were none.

5. PUBLIC ART STRATEGY

The Cabinet Member Healthy Lifestyles introduced the report and explained that the Public Art Strategy had been produced to support the delivery of the Corporate Strategy 2017-18 and Place Making. Current resources and skills were not available in the council to deliver the action plan set out in the Public Art Strategy and a public space curator was essential to enable the strategy to be realised.

The Cabinet Member said that this was a meaningful document which aimed to utilise incoming funding better. It represented a good step forward and was an opportunity to refresh the Public Art Panel to ensure that all the relevant sectors of Cheltenham were represented. She added that there was the potential to have an arts coordinator for 3 days which would be part funded by the Arts Council. There was more work to be done and all the relevant people were involved to assist in that process.

A Member welcomed widening the review of the Public Arts Panel and wished to thank all those who had been engaged in its work thus far who had kept the best interests of the town in the fore when making their decisions. She acknowledged that it was time to refresh and reengage and the town would benefit from new ideas. She looked forward to seeing further strenuous efforts

in harnessing the potential in this area and making it more meaningful to those who lived here.

Finally the Leader added his thanks to all those who had been involved in bringing the strategy to Cabinet.

RESOLVED THAT

the action plan set out in the Public Art Strategy be supported including investigations into the creation of a public space curator post, working with Cheltenham Trust to consider options for funding of that post.

6. TREASURY MID-TERM REPORT 2017/18

The Cabinet Member Finance introduced the report and reminded Members that the council operated a balanced budget. The treasury management operation ensured that cash flow was adequately planned with surplus monies invested in low risk counterparties. Another important function was the funding of the capital plans assessing and ensuring that the borrowing needs could be met in order to fund the capital programme.

She wished to put on record her thanks to officers and advisors and informed that the outturn position for 2017/18 was anticipated to be above the budget, at £45,500

She then informed Members that the Treasury Management Panel had considered the report on 20 November and endorsed it for onward recommendation to Cabinet and Council.

RESOLVED THAT Cabinet be recommended to

note the contents of the summary report of the treasury management activity during the first six months of 2017/18.

7. COUNCIL TAX PREMIUM ON LONG-TERM EMPTY HOMES

The Cabinet Member Finance introduced the report and reminded Members that the Local Government Finance Acts of 2003 and 2012 introduced some amendments to the 1992 finance act, giving discretionary powers for councils to set the level of council tax discount on empty properties and that this council had already used its discretionary powers to set discount levels in respect of empty properties and second homes which were detailed in appendix 2.

The Cabinet Member Finance went on to say that the 2012 act also introduced the empty homes premium allowing councils to charge an additional 50% council tax in respect of class C properties which had been empty and unfurnished for more than 2 years. She reported that in the Autumn Statement the chancellor announced that the government were proposing to increase the amount from 50% to 100% which this council may like to consider when the details came forward.

The decisions made so far supported this council's strategy to bring empty homes back into use more quickly and generate additional council tax income, however she stated that the additional income was less important than the principal of encouraging empty homes being brought back into use. She stated that as of October this year 80 properties had been empty for more than 2 years and the additional council tax income for CBC would amount to £7,300.00.

The Cabinet Member then referred to information published by DCLG in October 2016 which showed that 287 out of 326 councils were charging this premium. In Gloucestershire this premium had currently been introduced by Stroud and Cotswold district councils.

The Cabinet Member Housing paid tribute to the hard work of the Empty Homes and Revenues and Benefits teams in preventing more properties falling on to the empty homes list.

Finally, the Leader added that the use if this was one small lever to provide an incentive for property owners to bring empty homes back into use was to be welcomed.

RESOLVED THAT Council be recommended to

Determine that the Council Tax Empty Homes Premium of 50% is implemented from 1st April 2018 in respect of properties which have been unoccupied and unfurnished for more than 2 years.

8. APPLICATION FOR DESIGNATION OF A NEIGHBOURHOOD AREA AND NEIGHBOURHOOD FORUM BY THE HESTERS WAY NEIGHBOURHOOD DEVELOPMENT FORUM

The Cabinet Member Development and Safety introduced the report and explained that the council had received an application to designate a neighbourhood plan area and designate the Hesters Way Neighbourhood Development Forum as the neighbourhood forum for that area. This application had been assessed against the requirements set out in the legislation and was considered to meet them to enable designation of the neighbourhood area and of the neighbourhood forum. The council's Neighbourhood Planning Protocol had been used to guide officers in assessing the application.

The Cabinet Member Development and Safety added that the Neighbourhood Forum represented a significant voice in the development of neighbourhoods particularly given the JCS proposals. He referred Members to the map of the area in appendix 3 and the constitution in appendix 4.

The Leader welcomed the proposals and hoped that as well as looking at their own individual areas neighbourhood forums would work more closely together.

RESOLVED THAT

- 1. the designation of the Hesters Way Neighbourhood Development Forum area (the current Hesters Way Ward) be approved for the purpose of preparing a Neighbourhood Development Plan.**

2. **the designation of the Hesters Way Neighbourhood Development Forum as neighbourhood forum as defined by the Localism Act 2011 be approved.**

9. REVISED FINANCING ARRANGEMENTS FOR IMPROVEMENTS TO LEISURE-AT-CHELTENHAM

The Cabinet Member Healthy Lifestyles introduced the report which sought Cabinet approval of the revised programme of improvements to Leisure-at-Cheltenham.

She explained that further to Council's decision in March 2017 to agree the proposed works and financing arrangements the Cheltenham Trust had worked with its development partner Alliance Leisure Services to advance the scheme within the agreed financial framework. After work to further define the project it was clear that project costs would be higher but that these would be mitigated by a greater impact for customers and increases in income against a revised business plan. The original model presented to Council was based on the Trust delivering the project through a loan from the council. This method of project delivery would have incurred VAT which meant fewer improvements would have been delivered. A preferred method was now proposed whereby the council contracted Alliance Leisure Services. In doing so the VAT would be recoverable and the project would deliver greater public benefit for the cost incurred. The revised report thus provided cost certainty on the main project and the benefits were laid out in paragraph 2.7 of the report. This would provide not only a good facility but also addressed the council's concerns on financing and the future of Leisure-at-Cheltenham as a growing concern.

The Leader added that this had been a long and complicated process and thanked all those who had been involved.

RESOLVED THAT

1. the revised programme of improvements to Leisure-at-Cheltenham as set out in section 3 of this report be approved.
2. Authority be delegated to the Director Resources and Corporate Projects in consultation with the Cabinet Member Healthy Lifestyles and the Borough Solicitor to enter into a contract with Alliance Leisure Services and any other legal agreements and processes necessary to progress the scheme whilst safeguarding the Council's interest.

Council be recommended to :

3. **Subject to the conditions in section 7 being met, authorise the Section 151 Officer, in consultation with the Cabinet Member Finance, to seek prudential borrowing of up to £2.236m at an**

interest rate of 2% per annum to fund the improvements to Leisure-at-Cheltenham as detailed in Section 3 of this report;

4. Authorise the Section 151 Officer, in consultation with the Cabinet Member Healthy Lifestyles, to agree the most advantageous repayment methodology to reclaim the cost of the borrowing from the Cheltenham Trust;

10. BRIEFING FROM CABINET MEMBERS

The Cabinet Member Development and Safety informed Members that the 20s plenty consultation ended on 4 December and he was pleased to report that it had received 755 responses. These would be considered in establishing how to take the proposals forward.

The Leader informed that last week the Gloucestershire Economic Growth Joint Committee had met and agreed to recruit a planning coordinator for Gloucestershire which would encourage a more proactive approach to the planning process. He informed that the funding strategy for the LEP core funding had been determined following the withdrawal by the County Council of its funding. There would now be match funding from the pooled business rates.

The Leader also reported that the launch of Marketing Cheltenham had gone well and encouraged all Members to watch the video marking the launch.

11. CABINET MEMBER DECISIONS SINCE THE LAST MEETING

Cabinet Member Development and Safety	Revised Public Spaces Protection Order to address ticket touting during key horse racing events and protect the public from anti-social behaviour that is having or likely to have a detrimental effect on the quality of life of those
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12. LOCAL GOVERNMENT ACT 1972 : EXEMPT BUSINESS RESOLVED

“That in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)

13. PROPERTY ACQUISITIONS

The Cabinet Member Finance introduced the exempt report regarding an opportunity which had arisen for a potential commercial property acquisition. Cabinet's approval of the business case and supporting information was now being sought prior to Council's consideration of the budget allocation.

She explained that many Councils were facing a tough and complex set of pressures – funding cuts, rising demand for services with increased costs associated with its provision and economic growth challenges. Further spending cuts were inevitable and likely to be in the next two months with the Local Government settlement and the decision on new homes bonus.

Demographic and economic pressures on authorities and their services were increasing so the question was how could local authorities transform themselves to respond to the pressures they faced. The current thinking of Government was to make councils become less reliant on Revenue Support Grant and other centrally controlled grant funding. It was therefore this Cabinet's aspiration to become financially sustainable by 2021-2022. This was one of the reasons why she had requested the Chief Finance Officer to write a commercial strategy that would be submitted to Cabinet on 12 December for approval.

Many councils were facing an increasing need for reinvestment in resources and services, ranging from community cohesion, health and social care to education and infrastructure. The status quo would only lead to service reduction. Councils would need to have a relentless focus on generating additional sources of revenue income as government grant continued to fall and interest rates remained low. The Cabinet Member believed that the focus, where market conditions allowed, should be on areas such as investments in the commercial property portfolio and regeneration through both direct and indirect investment to boost local economic activity.

She provided Members with more details of the property under discussion. With any property investment the need to assess the options and criteria was paramount and the financial objectives and revenue delivery of this potential acquisition had been assessed and that the prescribed target yield met expectations. She went on to address the issue of risks and explained how the risks associated with this proposed acquisition had been identified and scored appropriately. She concluded that commercialisation was the route to maintain and enhance service delivery.

The Cabinet Member Finance informed Members that Asset Management Working Group were consulted on the proposal on 27 November and were supportive of the acquisition.

The Cabinet Member then advised that since circulation of the report an additional financial projection had been developed and was tabled to Members. As a result recommendation 2.1 was amended. Members supported the amendment.

Members then raised questions on the report and responses were given.

RESOLVED THAT

The recommendations be approved as amended.

Chairman

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Cabinet

Tuesday, 12th December, 2017
6.00 - 6.25 pm

Attendees	
Councillors:	Steve Jordan (Leader of the Council), Flo Clucas (Cabinet Member Healthy Lifestyles), Chris Coleman (Cabinet Member Clean and Green Environment), Peter Jeffries (Cabinet Member Housing), Andrew McKinlay (Cabinet Member Development and Safety) and Roger Whyborn (Cabinet Member Corporate Services)
Also in attendance:	Councillor Tim Harman

Minutes

1. APOLOGIES

Councillor Rowena Hay

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting held on 5 December would be considered at the January 2018 meeting of Cabinet.

4. PUBLIC AND MEMBER QUESTIONS AND PETITIONS

1.	Question from Fiona Wild to the Cabinet Member Clean and Green Environment, Councillor Chris Coleman
	Has the enormous response of 2,436 signatures, gathered in only 3 weeks, on the petition to retain the current style of planting in keeping with the surrounding formal buildings, in Imperial Gardens & the Long Gardens, been fully taken into account by the Cabinet to influence their final decision on the future appearance of these areas?
	Response from Cabinet Member
	<p>In response to the petition and the council debate, I requested that officers further consider options for the 2 locations which raised public concern.</p> <p>The business case considering all options including a new option to retain the current planting regime in the Long Gardens and Imperial Gardens and move to perennial planting in all other locations was considered by the council's overview and scrutiny committee on 27th November 2017. Members of overview and scrutiny committee were supportive of this new option (option 2); the recommendation to be considered by the Cabinet tonight.</p>

	<p>In a supplementary question Fiona Wild said that whilst she was relieved that the Overview and Scrutiny Committee had recommended that Cabinet adopt Option 2 in response to the petition consisting of nearly 2,500 signatures gathered in only 3 weeks, she asked whether Cabinet knew of any reason why the Gold Award for environmental responsibility and community participation, won by Imperial Gardens in the Autumn from the Heart of England Tourism Authority, received no publicity whatsoever?</p> <p>In response the Cabinet Member Clean and Green Environment confirmed that he had not been aware of the award and assured Mrs Wild that he would correct this.</p>
2.	Question from Fiona Wild to the Cabinet Member Clean and Green Environment, Councillor Chris Coleman
	<p>Has the possibility that visitors may be less encouraged to return to the town if herbaceous or wild planting lacks colour or looks untidy in the winter, been properly considered by members of this Cabinet in the light of the detrimental effect this might have on the local economy?</p>
	Response from Cabinet Member
	<p>Any changes to planting style would take into account the local setting. A herbaceous or perennial scheme in the Long gardens and Imperial Gardens is likely to have been formal and there were no plans for wild planting.</p> <p>With careful choice of perennial plants and bulbs winter and spring schemes can be just as colourful and tidy as annual bedding.</p> <p>I do not believe there to be any evidence to suggest that a change in planting style is likely to impact on the local economy.</p> <p>In a supplementary question Fiona Wild asked whether Cabinet would be prepared to accept that there may be a negative effect upon the local economy if the formal and colourful bedding plants in Imperial and the Long Gardens, beloved of visitors and most residents, were to be replaced by herbaceous planting, which although pleasing to connoisseurs and followers of trends, looked dull out of season, although actual evidence of any future downturn was, of course, impossible to quantify at present?</p> <p>In response the Cabinet Member referred Mrs Wild to recommendation 2 of the report which stated that further work and consultation would be undertaken in respect of the Imperial Gardens and the Long Gardens. He stated that if following this work there was evidence that perennial planting would cause a detrimental effect the council would act accordingly and stressed that the very best interests of Cheltenham were at the heart of every decision the council made.</p>

5. PUBLIC REALM PLANTING STRATEGY REVIEW

The Cabinet Member Clean and Green Environment introduced the report which outlined proposals to adopt an alternative planting strategy for

Cheltenham's public realm. The report considered the business case for the change in approach which compared three options for the council's future planting strategy. Each option assessed the community, economic, environmental, legal, HR and technological implications. A detailed financial assessment of each option was also provided. He was grateful to the petition which had been debated in council in October and which had led to further work being undertaken on the options. He also made reference to the petition submitted in favour of the proposals. He therefore recognised the importance of the planting regime to people in the borough.

He went on to explain that in bringing forward the proposals the council had considered the aspirations of the town centre going forward and the future of the council's nursery. He stressed however that it was not all about money but the life and times of the town, informed by public debate. He believed the recommendations were sensible and if adopted they would enable the change of planting regime in some parks and gardens with sustainable planting in a more structured and planned manner. The existing regime in Imperial Gardens and the Long Garden would be retained with further work and consultation proposed in respect of those Gardens. He stated that at the proposals were right for Cheltenham at this time. The financial implications were however clear and there were reasons for further work but with the caveat of more consultation. The council was committed to listen going forward and recognising the strong feelings of the public.

The Leader added that the public debate had been interesting and useful. He highlighted that the council used to enter the Britain in Bloom competition but no longer entered as it did not have sufficient sustainable planting to qualify.

In response to a question on whether it would be reasonable within the limitations to plant roses in places in the Long Gardens or other forms of brightly flowering perennials the Cabinet Member said that initial advice would be sought from experts within the spirit of the decision. The council did however have to be careful when handling sensitive areas.

Finally, the Cabinet Member Clean and Green Environment wished to put on record his thanks to those officers involved in preparing the report on the planting regime and responses prepared for Overview and Scrutiny and the Council debate.

RESOLVED THAT

- 1. Option 2 be approved, i.e retain seasonal bedding in the Long Garden and Imperial Gardens, change to perennial planting in all other locations over a phased period of 3 years.**
- 2. Further work and consultation be undertaken in respect of the Imperial Gardens and the Long Gardens.**

6. PROPERTY PORTFOLIO ASSET REVIEW

In the absence of the Cabinet Member Finance the Leader introduced the report which recommended a strategy for the asset portfolio and the specific

recommendations for each of the properties as set out in the asset review.

He explained that many Councils were facing a tough and complex set of pressures – funding cuts, rising demand for services with increased costs associated with its provision and economic growth challenges. Further spending cuts were inevitable and likely to be in the next two months with the Local Government settlement and the decision on the new homes bonus.

Demographic and economic pressures on authorities and their services were increasing so the question was how could local authorities transform themselves to respond to the pressures they faced. The current thinking of Government was to make councils become less reliant on Revenue Support Grant and other centrally controlled grant funding. It was therefore this Cabinet's aspiration to become financially sustainable by 2021-2022. This was one of the reasons why the Cabinet Member Finance had requested the Chief Finance Officer to write a commercial strategy for which she was seeking Cabinet approval.

Many councils were facing an increasing need for reinvestment in resources and services, ranging from community cohesion, health and social care to education and infrastructure. The status quo would only lead to service reduction. Councils would need to have a relentless focus on generating additional sources of revenue income as government grant continued to fall and interest rates remained low. The Leader said that the Cabinet Member believed that the focus, where market conditions allowed, should be on areas such as investments in the commercial property portfolio and regeneration through both direct and indirect investment to boost local economic activity.

The Leader then addressed the issue of risk stating that risk was not the same as uncertainty. Risk was a logical probability function whereas uncertainty was anything but. He said that those councils who adopted a more commercial approach would need to identify assumptions and risks. The risks associated with the proposed acquisition had been identified and scored appropriately but the Cabinet Member Finance had questioned what the alternative to those risks would be which would in essence be cuts to services the public relied on. The Chief Finance Officer had also questioned whether the council could afford not to take the risks of commercial decisions.

In conclusion the Leader believed that commercialisation was the route to maintain and enhance service delivery. An appetite for risk was therefore needed whilst understanding and assessing those risks. Diversification and due diligence would be key to success.

Finally the Leader highlighted that whilst the council would maximise the use of its assets there were other things it could do.

RESOLVED THAT

The recommended strategy for the asset portfolio and the specific recommendations for each of the properties, as set out in the asset review be approved, subject to the completion of the relevant option appraisals and subsequent appropriate approval process.

7. GENERAL FUND REVENUE AND CAPITAL-INTERIM BUDGET PROPOSALS 2018/19 FOR CONSULTATION

On behalf of the Cabinet Member Finance the Leader introduced the report which set out the Cabinet's interim budget proposals for 2018/19 for consultation. He said that the Cabinet was conscious of the impact of a potential council tax rise but equally conscious of the cost of services. He wished to put on record his thanks to the Chief Finance Officer and his team and all officers across the council. Consultation on the budget proposals would run until 19 January 2018.

The Leader referred to paragraph 4.13 of the MTFS in appendix 3 and reported that a piece of work had been commissioned to obtain analysis from the actuary to explore the cash flow benefit to the council in making the required secondary sum payments to the Local Government Pension Scheme as a pre-payment for future year liability i.e. pay some of the liability up front which impacts on cash flow but does not represent an additional budgetary commitment. Currently monthly contributions were paid to the pension fund, however, if a prepayment of £7.473 million was made, it was anticipated that savings of £100k per annum could be realised over the final two years of the three year actuarial cycle.

He announced that the findings from this analysis have indicated that the savings were double that proposed and equated to a discount of nearly £400k (£200k per annum). In simple terms this translated into a 5.2% return which was significantly more than what was being earned on current investments.

RESOLVED THAT

- 1. the interim budget proposals be approved for consultation including a proposed council tax for the services provided by Cheltenham Borough Council of £202.12 for the year 2018/19 (an increase of 2.54% or £5.00 a year for a Band D property).**
- 2. the Medium Term Financial Strategy (MTFS) and Commercial Strategy outlined in section 3 and Appendix 3 be approved.**
- 3. the growth proposals, including one off initiatives at Appendix 4, be approved for consultation.**
- 4. the proposed capital programme at Appendix 6, as outlined in Section 6 be approved.**
- 5. authority be delegated to the Section 151 Officer, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation.**
- 6. consultation responses be sought by 19th January 2018.**

8. HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL-REVISED BUDGET 2017/18 AND INTERIM BUDGET PROPOSALS 2018/19 FOR CONSULTATION

The Leader introduced the report which summarised the Housing Revenue Account (HRA) revised forecast for 2017/18 and the Cabinet's interim budget proposals for 2018/19 for consultation. He highlighted that whilst the Government policy to reduce rents had been beneficial for tenants it had the effect of reducing the budget the council was able to provide as a consequence. However CBH had continued to make substantial progress in plans to modernise and transform the housing management and maintenance services delivered to tenants which was welcomed. The Leader informed Members that the consultation would run until 31 January 2018.

The Cabinet Member Housing paid tribute to the work CBH had undertaken in managing the Government's rent policy in a comparably short time frame. He thanked CBH on behalf of residents in the town.

A Member remarked that there were unseen consequences of the rent policy in terms of housing associations withdrawing from developments as the funding packages were no longer there with developers relying on housing association funding up front. Having now adopted the JCS framework there would now be more control over developments taking place.

RESOLVED THAT

- 1. the revised HRA forecast for 2017/18 be noted.**
- 2. the interim HRA budget proposals for 2018/19 (shown at Appendix 2) be approved for consultation including a proposed rent decrease of 1% and changes to other rents and charges as detailed within the report.**
- 3. the proposed HRA capital programme for 2018/19 as shown at Appendix 3 be approved.**
- 4. authority be delegated to the Section 151 Officer, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation.**
- 5. consultation responses be sought by 31st January 2018.**

9. BRIEFING FROM CABINET MEMBERS

The Cabinet Member Clean and Green Environment informed Members that since the introduction of the new recycling service there had been a 25% increase in recycling which showed that residents were keen to recycle and it was easy to do so. There were bound to be teething problems with 80 % collection day changes and the introduction of new recycling vehicles and new rounds. He asked residents to report any misfunctions in the service so that problems could be identified.

The Cabinet Member Clean and Green Environment explained that plans for the cemetery and crematorium were on track and the access route was nearly complete with work starting on site at the turn of the new year. He would continue to update Members as the project progressed.

Chairman

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Cheltenham Borough Council Cabinet – 13th February 2018 Discretionary Housing Payment Policy

Accountable member	Councillor Rowena Hay, Cabinet Member Finance
Accountable officer	Jayne Gilpin, Head of Revenues and Benefits
Ward(s) affected	All
Key/Significant Decision	Yes
Executive summary	<p>The council has powers to award Discretionary Housing Payments (DHP) to provide additional financial assistance towards housing costs where claimants are in receipt of Housing Benefit or Universal Credit, provided housing costs are included. This report proposes an updated policy to include the Council's responsibilities in respect of Universal Credit claimants and ensure that consistent decisions are made.</p> <p>Funding is provided by the Department for Work and Pensions</p>
Recommendations	<p>That Cabinet :</p> <ol style="list-style-type: none"> 1. Approves the Discretionary Housing Payment Policy in Appendix 2 2. Delegate decisions relating to the award of DHP in line with the policy and DWP guidance, to the Head of Revenues and Benefits, with the final decision in the event of dispute being taken by the Chief Finance Officer 3. Authorises the Chief Finance Officer to apply to DCLG for an accounting direction if it appears that the annual allocation will be exceeded in any financial year

Financial implications	<p>The Discretionary Housing Payments (DHP) Scheme enables local authorities to provide financial assistance towards housing costs through the General Fund. An annual allocation of funding from Government finances this scheme. In previous years the total of such payments has not exceeded the allocation.</p> <p>Although the anticipated payments for 2017/18 appear to be within budget, expenditure on DHPs is expected to increase. Where Councils need to add to the funding provided the Department for Communities and Local Government (DCLG) has confirmed that authorities may be permitted to fund DHP payments made to its own tenants from the HRA. This requires a written application to DCLG for a specific accounting direction. It is recommended that the level of payments continues to be monitored and the S151 Officer is delegated authority to apply for such a direction if it appears probable that the annual allocation will be exceeded in any financial year. The draft HRA budget does not yet include any provision for such expenditure.</p> <p>Contact officer: Paul Jones paul.jones@cheltenham.gov.uk, 01242 775154</p>
Legal implications	<p>The Discretionary Financial Assistance Regulations 2001 (as amended) set out the legal framework empowering the council to make discretionary awards to assist residents with their housing costs</p> <p>Contact officer: Peter Lewis, peter.lewis@teWKesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	None
Key risks	See appendix 1
Corporate and community plan Implications	None
Environmental and climate change implications	None
Property/Asset Implications	None

1. Background

- 1.1** The Discretionary Housing Payment (DHP) scheme is designed to provide additional financial assistance to recipients of Housing Benefit or Universal Credit where the housing costs element is included in their current award.
- 1.2** It is payable where additional help with housing costs is required, with awards being made under the Discretionary Financial Assistance Regulations 2001 which provide Local Authorities with significant discretion on the amount of money paid out and the way the scheme is administered.
- 1.3** The Department for Work and Pensions (DWP) provide a DHP Guidance Manual (including a Local Authority Good Practice Guide) to assist councils in devising a scheme that will support those affected by the welfare reforms and the impact of the introduction of Universal Credit.
- 1.4** DHP schemes have been in existence since 2001 but demand on the scheme was expected to, and did significantly increase due to a number of government welfare reforms introduced from April 2013 onwards. These included the Spare Room Subsidy (bedroom tax), further Local Housing Allowance changes and the Benefit Cap.
- 1.5** DHPs will not normally be used to provide long term support for individuals. Instead, they will be used to provide short term support to allow people the time to resolve their current financial difficulties and to move to a position which is financially sustainable for them in the longer term.
- 1.6** Central Government increased the DHP funding available to councils from 2013 in order to help with the growing demand on the fund. The funding provided by the government for 2017-18 in Cheltenham is £206,154 and it is anticipated that this figure will stay the same or increase for 2018-19 based on current estimates. The fund is ring fenced and can only be used for the purpose of making DHPs.

2. Reasons for recommendations

- 2.1** The council has updated its DHP Policy taking into account the additional demand that is anticipated from people who will be moving from the current Housing Benefit scheme to Universal Credit and for people who will require rent deposits paid to enable them to move to smaller, more affordable accommodation. Furthermore, the council will be proactive in ensuring that recipients take steps to improve their own position, which may include seeking paid employment and/or moving to more affordable accommodation.
- 2.2** A number of welfare reforms targeted at working age people have been implemented since 2013 and the full service for Universal Credit is now operational in Cheltenham. An effective DHP Policy, targeting help for those in need will continue to help alleviate poverty, prevent homelessness and protect the most vulnerable Cheltenham residents.
- 2.3** Members are therefore being asked to approve the revised DHP Policy which will provide a consistent framework for officers making decisions in respect of DHP claims.

- 2.4** The Council should have a policy and current policy needs to be updated to ensure fair and consistent decisions are made when considering applications for DHP.

3. Consultation and feedback

- 3.1** The council is not required to consult on a Discretionary Housing Payment Policy so no consultation has been carried out.

4. Performance management –monitoring and review

- 4.1** Each year initial year estimates and mid-year estimates of expenditure have to be submitted to the Department for Work and Pensions (DWP). In addition to this two returns have to be submitted to the DWP, providing details of the awards made. Together with this, further monitoring will be carried out to ensure that the awards do not exceed the budget and that awards are being made fairly and in accordance with the Policy.

Report author	Contact officer: Jayne Gilpin, Head of Revenues and Benefits Jayne.gilpin@cheltenham.gov.uk, 01242 264323
Appendices	1. Risk Assessment
Background information	1. Proposed Discretionary Housing Payment Policy 2. The Discretionary Financial Assistance Regulations 2001 http://www.legislation.gov.uk/uksi/2001/1167/contents/made 3. DWP Discretionary Housing Payments Guidance Manual https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661904/discretionary-housing-payments-guide.pdf

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If an updated Discretionary Housing Payment Policy is not approved it may lead to outdated and inconsistent decision making	Jayne Gilpin		3	1	3	Accept			David Wyatt	
2	If DHP awards are made in excess of the DWP funding the Council will be required to fund the excess	Paul Jones		3	2	6	Accept	Ongoing monitoring of the DHP budget throughout the year as part of internal controls		Jayne Gilpin	
Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close											

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Cheltenham Borough Council

Discretionary Housing Payment Policy

1. Introduction

- 1.1. The Discretionary Housing Payment (DHP) scheme is designed to provide further financial assistance to recipients of Housing Benefit and Universal Credit where the housing costs element is included in their current award. It is payable where additional help with housing costs is required with awards being made under the Discretionary Financial Assistance Regulations 2001 which provide Local Authorities with broad discretion on the amount of money paid out and the way the scheme is administered.
- 1.2. The government has provided additional funding in recent years to enable local authorities to provide transitional support to customers affected by size criteria in the social housing sector, the benefit cap and changes to Local Housing Allowance but it is entirely at the Council's discretion as to how much is awarded in each area. In most cases a customer will need to demonstrate that they are unable to meet housing costs from their available income or that they have a shortfall in rent as a result of the welfare reforms.

2. What DHPs cover

- 2.1. DHPs are intended to support people who are receiving Housing Benefit or Universal Credit within Cheltenham and need additional support to cover housing-related costs. Housing-related costs are:
 - Rental liability as defined in the Housing Benefit and Universal Credit legislation
 - Lump sum payments for deposits or rent in advance where the applicant is moving to accommodation either inside or outside of the borough
 - Removal costs where the applicant is moving to accommodation either inside or outside of the borough.
- 2.2. Lump sum payments will be considered to help customers, where their current tenancy is unsustainable, to move to more affordable accommodation. In order to receive a lump sum payment, the customer must be receiving Housing Benefit or Universal Credit (that includes a housing costs element) at their current address in Cheltenham.
- 2.3. **What DHPs do not cover:**
 - service or rental charges ineligible for Housing Benefit
 - increases in rent due to outstanding rent arrears
 - certain sanctions and reductions in benefit
 - Council Tax liability.

3. Principles governing the award of DHPs

- 3.1. There is no statutory right to a DHP as the scheme is discretionary.
- 3.2. The Council has formulated this policy having regard to the Department for Work and Pensions' DHP Guidance Manual and Local Authority Good Practice Guide, dated December 2016.
- 3.3. Within the above constraints, the Council's broad aim is to support people affected by welfare reform with a view to:
 - alleviating poverty
 - preventing homelessness
 - supporting people to secure paid employment
 - supporting people to secure sustainable and affordable accommodation
 - supporting people who out of necessity are temporarily occupying accommodation which is unaffordable from their benefits, such as foster carers between fostering placements and victims of domestic violence who are trying to move to a place of safety
 - supporting people who are in unaffordable tenancies but cannot move to more affordable accommodation due to particular reasons such as health, disability or child protection
- 3.4. The length of time over which a payment is made is at the discretion of the Local Authority. The period of the award and, more importantly any specific end date should be made clear to the customer. DHPs will not normally be used to provide long term support for individuals. They will be used to provide short term support to allow people the time to resolve their current financial difficulties and to move to a position which is financially sustainable for them in the longer term.
- 3.5. The Council may require customers to demonstrate that their housing costs are unaffordable having regard to all of their sources of income and savings by providing evidence of their income and outgoings.
- 3.6. DHP customers will be expected to take personal action to mitigate the impact of welfare reforms on them. This action will normally include seeking paid employment and/or moving to more affordable accommodation and, where appropriate, to engage in obtaining personal advice to better manage their finances.
- 3.7. The Council may require customers to demonstrate that they have taken all options available to them before awarding a DHP, for example, by providing evidence that they have applied for jobs, are seeking more affordable accommodation and have sought advice on managing their finances. An award of DHP may also be conditional on customers demonstrating that they are continuing to take such action.
- 3.8. The Council may require such claimants to demonstrate that there are particular barriers preventing them from moving to a financially sustainable position before awarding DHP, for example, by providing evidence of serious physical or mental health problems or disabilities or caring responsibilities.

- 3.9. The Council will, in particular, take into account evidence that the cost to the Council of available alternatives would be greater than the cost of awarding DHP.
- 3.10. As a general rule, a DHP intended to address a shortfall in benefit to meet housing costs due to the benefit cap will be limited to a period of no more than one year. Additionally, a DHP intended to address a shortfall in benefit to meet housing costs due to other temporary hardship will be limited to a period of no more than six months. However these periods can be extended if the customer can demonstrate that their circumstances are exceptional.
- 3.11. Where a particular need for DHP has been demonstrated, the Council is not obliged to award a DHP to cover the full shortfall between benefit and housing costs, or to award DHP in respect of the whole period during which that shortfall is likely to continue. The Council may offer a lump sum, such as a rent deposit, in order to assist a claimant to move to more affordable accommodation however this will be restricted to one award in a twelve month period.

4. Applications for a DHP

- 4.1. The Council will accept an application from the Housing Benefit or Universal Credit customer or somebody acting on that person's behalf, for example, an appointee. All claims for a DHP must be made in writing using the prescribed application form, by the customer or their representative. If a customer has difficulties completing the form they should be encouraged to make a personal visit to the Council offices or be referred to an advice agency. Alternatively a visit to the customer's home can be carried out if considered necessary.
- 4.2. Each application will be considered on its own merits, taking into account relevant information provided by the customer in support of their application. If an award of a DHP is made for a period, this will not mean that the award is automatically renewed at the end of the period. A full review of the customer's circumstances will be carried out prior to a further award being made.

5. Notification of decisions

- 5.1. The customer will be notified in writing of the outcome of the DHP claim within 14 days of receipt of the claim and all supporting documentation, or as soon as possible after that. If a claim is unsuccessful, the Council's decision letter will include an explanation of how the decision has been reached and details of the right to request a review.
- 5.2. If the claim is successful, the Council's decision letter will include the following:
- the reason for the award
 - the amount awarded
 - the period of the award
 - who will be paid the DHP
 - the customer's duty to report any changes in circumstances
 - any conditions associated with the award
 - details of the right of review

6. Backdating a DHP

- 6.1 The Council will consider any reasonable request for backdating a DHP award. However these will be limited to the period in which the customer has been receiving Housing Benefit or Universal Credit during the current financial year unless exceptional reasons for a late claim are accepted. Backdating cannot be awarded prior to 2 July 2001 when the regulations permitting DHPs came into effect.

7. Method of payment

- 7.1. The Benefits Service will decide on the most appropriate person to pay and the method and timing of payments based on the particular circumstances of each case. Where a DHP is awarded in respect of council rental liability any DHP will be credited to the relevant housing rent account and where a DHP is awarded as a lump sum payment for rent in advance or a deposit, payment may be made direct to the landlord.

8. Changes in circumstances

- 8.1 The customer must tell the Council if their circumstances change after a DHP has been awarded. This is made clear to customers in the award letter and application form.
- 8.2 Customers must report all changes of circumstances that may be relevant to the DHP award to the Revenues and Benefits Service even if they have been reported to other services or departments. The Council reserves the right to revise a DHP award at any time if the customer's circumstances have changed.

9. Overpayments of a DHP

- 9.1 The Council will make every effort to minimise overpayments of a DHP. If however an overpayment does occur, the Council will decide whether or not it is appropriate to recover it. If recovery action is appropriate the Council will use the most appropriate way in which to recover it. A written explanation of how the overpayment occurred and the periods and amounts to which it relates will be issued. .

10. Disputes

- 10.1. DHPs are not payments of Housing Benefit or Universal Credit and are therefore not subject to the statutory appeals process. If the customer disagrees with a DHP decision they must put this in writing giving their reasons. This should normally be received by Cheltenham Borough Council within a month of the date of the decision although more time can be given in exceptional circumstances.
- 10.2. Although there is no formal appeals process, if a decision is challenged it will be looked at again in the light of representations made by the customer or their representative by a different, more senior officer to the one who made the original decision.
- 10.3. The customer will be notified of the decision of the review which will clearly state the reasons for the decision. If the customer remains dissatisfied with the decision, the case will be passed to the Council's Chief Financial Officer for further consideration.

Ultimately the customer can apply for a judicial review of the decision in the High Court but legal advice should be sought in the first instance.

11. Fraud

- 11.1 The Council takes fraud seriously and has adopted a zero tolerance approach. All allegations of fraud will be investigated; should a person make a false statement or provide incorrect evidence in support of their application for DHP, they may commit a criminal offence. All such instances will be dealt with in accordance with the Counter Fraud and Anti-Corruption Policy and any overpaid monies will be recovered.

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Cheltenham Borough Council Cabinet – 13th February 2018 Discretionary Business Rate Reliefs

Accountable member	Councillor Rowena Hay, Cabinet Member Finance
Accountable officer	Jayne Gilpin, Head of Revenues and Benefits
Ward(s) affected	All
Key/Significant Decision	Yes
Executive summary	<p>At the Spring Budget 2017, the Government announced three separate relief schemes to help business ratepayers facing large increases in bills as a result of the 2017 revaluation of business premises. The three schemes are</p> <ul style="list-style-type: none"> • Supporting Small Businesses. A cap will be applied to businesses coming out of small business rate relief to limit the increase in rates payable • Relief for Pubs. A discount of £1,000 will be available to pubs with a rateable value of less than 100,000 in 2017/18 and 2018/19. • Local Revaluation Support Scheme. A fund of £271,000 was made available to the Council in 2017/18 to design its own local relief scheme for businesses most affected by increased rates bills. The funding is reduced to £132,000 in 2018/19 <p>Approval is being sought to award these reliefs using discretionary powers introduced by the Localism Act. The first two reliefs are to be awarded in accordance with the Government set criteria and will be fully funded. The proposed criteria for the Local Revaluation Support Scheme is detailed in appendix 2.</p>
Recommendations	<p>Cabinet is recommended to</p> <ol style="list-style-type: none"> 1. Approve a change to the amount of local discretionary revaluation support scheme for 2017/18 as set out in section 2.3 of this report and appendix 2 2. Approve the local discretionary revaluation support scheme for 2018/19 in accordance with section 3 of this report and appendix 2 3. Approve the extension of the relief scheme for pubs in 2018/19 to be awarded in accordance with the detailed guidance in appendix 3 4. Approve the Supporting Small Businesses relief scheme in

2018/19 to be awarded in line with the detailed guidance in appendix 3

- 5. Authorises the Chief Finance Officer, in consultation with the Cabinet Member Finance, to set the percentage relief level for local revaluation support in 2018/19 as detailed in section 3.4 of this report.**
- 6. Due to the volume of cases, delegate decisions relating to the application of these reliefs to the Head of Revenues and Benefits and officers in the Business Rates team. In the case of a dispute a reconsideration is to be made by the Chief Finance Officer in consultation with the Cabinet Member Finance.**

Financial implications	<p>As detailed within the report and appendices. Central Government will fully fund the revenue lost due to these reliefs (discount for pubs and relief for businesses losing small business rate relief), provided the Council uses its powers to grant relief in accordance with the guidance.</p> <p>With regards to local revaluation support, the Government has allocated a specific sum of money to billing authorities for each of the four years 2017/18 to 2020/21 to fund a locally designed relief scheme as set out in para 1.4.</p> <p>Contact officer: Paul Jones paul.jones@cheltenham.gov.uk, 01242 775154</p>
Legal implications	<p>The Council has statutory power to award discretionary rate relief under:</p> <p>S44A</p> <p>S47 (as amended by S69 of the Localism Act 2011),</p> <p>S49 of the Local Government Finance Act 1988 and,</p> <p>S42A & S42B of the Local Government & Rating Act 1997.</p> <p>With the exception of S44a relief, the Council cannot grant discretionary relief in respect of 'excepted hereditaments'. An 'excepted hereditament' is one where the Council or precepting authority would be liable to pay the rates. Additionally, case law has established that, where a discretionary power exists, it must be applied fairly and not arbitrarily.</p> <p>Contact officer: donna.marks@teWKesbury.gov.uk, 0168427068</p>
HR implications (including learning and organisational development)	<p>There are none associated with this report</p> <p>Contact officer: , @cheltenham.gov.uk, 01242</p>
Key risks	See appendix 1

Corporate and community plan Implications	None
Environmental and climate change implications	None
Property/Asset Implications	There is nothing in this report which impacts on Council properties Contact officer: David Roberts@cheltenham.gov.uk

1. Background

- 1.1 In the spring budget the Government announced three new relief schemes to support businesses facing the steepest increases in their business rates bills as a result of the revaluation of business premises from April 2017.
- 1.2 As these reliefs are a temporary measure, the government is not changing business rates legislation; it expects billing authorities to use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 to grant relief.
- 1.3 The Government has set the conditions which must be met for the discount for pubs and relief for businesses losing small business rate relief. It will fully fund the revenue lost due to these reliefs, provided the Council uses its powers to grant relief in accordance with the guidance.
- 1.4 With regards to local revaluation support, the Government has allocated a specific sum of money to billing authorities for each of the four years 2017/18 to 2020/21 to fund a locally designed relief scheme. This Council has been allocated the following amounts:

Amount of discretionary fund awarded (£000s)			
2017-18	2018-19	2019-20	2020-21
271	132	54	8

- 1.5 The Council can set its own qualifying conditions and the amount of relief to be awarded to local businesses, provided there has been an increase in the amount of business rates payable due to the revaluation.

2. Local Revaluation Support 2017/18

- 2.1 The Local Revaluation Support Scheme for 2017/18 was approved by Cabinet on 12th September 2017
- 2.2 So far relief amounting to £140,000 has been awarded to 302 businesses. During September relief was granted to businesses identified as most likely to qualify and application forms were issued to some where it was less clear that the conditions would be met. A further review of business rate cases has been undertaken and some additional application forms have now been issued.
- 2.3 The funding available for 2017/18 is £271,000. The relief level was set at 50% of the increase in rates payable in 2017/18 compared to 2016/2017. As only £140,000 has been spent it is proposed that the relief level is increased from 50% to 85% of the increase. It is estimated this will increase the total amount to just under £240,000. This will leave a small balance for further applications being received.
- 2.4 All other qualifying conditions as detailed in appendix 2 will remain unchanged

- 2.5 Revised bills will be issued to businesses to reflect the increased relief
- 2.6 Due to the volume of cases delegation is being sought for Officers in the Revenues team to make decisions on the award of reliefs based on the detailed criteria in appendix 2. Although there is no statutory right of appeal, where a decision is disputed it will be reconsidered by the Chief Finance Officer in consultation with the Cabinet Member Finance.
- 2.7 This scheme will apply to 2017/18 business rate bills. A review will be undertaken and a revised scheme will be formulated based on the funding for future years, in time for 2018/19 bills being issued.

3. Local Revaluation Support 2018/19

- 3.1 Local Revaluation Support Relief will continue to be available in 2018/19 and the funding available is £132,000
- 3.2 As the revaluation support scheme is intended to provide relief to businesses that faced increased bills due to the revaluation, relief in 2018/19 will only available to businesses that qualify in 2017/18.
- 3.3 It is proposed that relief in 2018/19 is calculated as a percentage of the net rates payable after all other reliefs have been awarded.
- 3.4 So that the total relief awarded to businesses in 2018/19 is as close as possible to the £132,000 funding available, authority is being sought for the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to determine the actual percentage to be applied.
- 3.5 The determination will be made once 2018/19 rates bills have been calculated and will be prior to 31st March 2018.

4. Relief for Pubs and Businesses losing Small Business Rate Relief

- 4.1 A discount of £1,000 is available for pubs with a rateable value of up to 100,000. This was originally for 2017/18 only but the Government announced this will continue for 2018/19 and will be fully funded.
- 4.2 The discount is to be awarded in line with the detailed guidance in Appendix 3 using the Council's discretionary powers. Sections 3 and 4 on State Aid and Administration in Appendix 2 will apply to this relief.

5. Supporting Small Businesses Relief

- 5.1 This relief is available to help those ratepayers who as a result of the revaluation have lost all or some of their small business rate relief and face large increases in bills.
- 5.2 The supporting small businesses relief ensures that ratepayers losing some or all of their small business rate relief will pay an increase limited to the greater of 5% or £600. The relief will be available for up to five years, reducing each year until the full rate bill is met.
- 5.3 The relief is to be awarded in line with the detailed guidance in Appendix 3 using the Council's discretionary powers. Sections 3 and 4 on State Aid and Administration in Appendix 2 will apply to this relief.

6. Alternative options considered

- 6.1** Funding is available for designing and implementing a local business rate relief scheme to businesses hardest hit by the impact of revaluation described in this report. If the policy is not approved and implemented the funding must be returned to the Government.
- 6.2** With regards to the pubs and supporting small businesses relief, the Government expects billing authorities to grant these reliefs to qualifying ratepayers and will fully reimburse the Council for its share of the cost.

7. Consultation and feedback

- 7.1** Gloucestershire County Council as a precepting authority receiving funding via the business rates retention system have been consulted through the countywide Chief Finance Officer group. The six billing authorities have worked collaboratively on designing the core principles for relief schemes which have been modified to take account of the size and type of properties and business rate payers in Cheltenham. The County Council is being kept informed of the final scheme.

8. Performance management –monitoring and review

- 8.1** The number of businesses benefiting from these relief schemes and the total amount awarded will be monitored by the Head of Revenues and Benefits on a monthly basis. A summary position will be reported in the quarterly budget monitoring report.
- 8.2** A review will be undertaken later this year with further modelling to design a revised scheme for future years based on the Government funding available.

Report author	Contact officer: Jayne Gilpin, Head of Revenues and Benefits Jayne.gilpin@cheltenham.gov.uk, 01242 264323
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Local Discretionary Business Rates Relief Schemes 2017/2018 and 2018/19 3. DCLG Business Rates information letter 4/2017 containing guidance in pubs and supporting small businesses relief
Background information	<ol style="list-style-type: none"> 1. Section 47 Local Government Finance Act 1988, as amended by clause 69 of The Localism Act 2011 2. DCLG Business Rates information letter 4/2017 containing guidance in pubs and supporting small businesses relief. www.gov.uk/government/uploads/system/uploads/attachment_data/file/620750/BRIL_4-2017_Spring_Budget_update.pdf

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If the policy is not approved the funding will have to be returned to the government and local businesses will suffer	Paul Jones	30/01/2018	2	1	2	Accept	Cabinet Approves the report recommendations	30/01/2018	Jayne Gilpin	
2	If more local revaluation support is awarded than the funding received from Government the council will be required to cover the cost	Paul Jones	30/01/2018	2	3	6	Accept and Monitor	The amount of relief available to businesses does not allocate all of the funding. Monitoring will be undertaken monthly		Jayne Gilpin	
Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close											

Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;

- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

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

Risk ref

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

Risk Description

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

Risk owner

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

Risk score

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

Control

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

Action

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

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

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

**Cheltenham Borough Council Policy for
Local Discretionary Business Rates Relief Schemes 2017/18 – 2018/19
Revised February 2018**

The policy sets out the Council's Local Discretionary Rate Relief Schemes for 2017/18 and 2018/19 under section 47 of the Local Government Finance Act 1988, as amended.

Section 1: Local Revaluation Support 2017/2018

The revaluation support scheme for the year 1st April 2017 to 31st March 2018, is available to businesses with increased rate bills as a result of the 2017 revaluation

Qualifying Conditions

Revaluation Support will only be awarded in respect of the rates payable for a property where the following conditions are met

- There has been an increase in the rates bill from 1st April 2017 compared to 2016/2017 bill, as a result of the 2017 revaluation
- The ratepayer must be in occupation and liable for business rates for the relevant property on 31st March 2017 and 1st April 2017
- The rateable value is less than 200,000
- The annual increase in rates bill for 2017/18 is more the £50.00 or 3% more, whichever is greater, when compared to the annual bill for 2016/17
- The property must be occupied, relief will not apply to empty properties
- The business must not occupy more than two properties anywhere in the UK. If a business occupies no more than two properties and both are in Cheltenham relief will be available in respect of both properties

Relief will not be awarded in the following circumstances

- The relevant property is empty or becomes empty
- The relevant property is not in the rating list on 31st March and 1st April 2017
- The ratepayer occupies the property on or after 1st April 2017
- The ratepayer is in receipt of mandatory, discretionary or CASC rate relief
- The rateable value is 200,000 or more, or increases to 200,000 or more
- New, split or merged properties in the rating list after 1st April 2017
- Where the rates payable increases due to the ratepayer ceasing to qualify for any other reliefs
- Where a business occupies more than two properties anywhere in the UK

- Educational establishments, sports centres, health centres/doctors surgeries and any publicly funded organisation will not be eligible

Relief will be recalculated in the following circumstances

- A change in rateable value in either the 2010 or 2017 rating lists
- The provision of a certificated value for the 2010 or 2017 rating list
- Any other reduction in the rates payable before revaluation support relief is applied
- Where there is an increase in rateable value after 1st April 2017 relief will not be awarded in respect of the rates payable attributable to the increase
- Any of the above conditions cease to be met

Revaluation support relief will apply to ratepayers receiving the national supporting small businesses and pub relief, provided the above conditions are met. Revaluation support will be calculated after the national reliefs have been applied

How will relief be calculated?

Revaluation support will be calculated on the 2017/18 rates payable after transitional protection and any other reliefs have been applied. The 2016/17 bill will be based on the charge at 31st March 2017. The amount of relief will be as follows

Level of Increase	Relief
Any increase over 3% or £50, whichever is greater	85% of increase

Section 2: Local Revaluation Support 2018/19

The scheme for 2018/19 will provide continued support for businesses with increased rate bills as a result of the 2017 revaluation.

Qualifying Conditions

To qualify for relief in 2018/19 businesses must be in receipt of relief in 2017/18 based on the conditions detailed in section 1 above

The level of relief in 2018/19 will be a % of the net rates payable after all other reliefs have been applied **(This is to be determined by the Chief Finance Officer, in consultation with the Cabinet member for finance prior to 31.03.2018)**

Section 3: Relief for Pubs

A maximum discount of £1,000 will be awarded to pubs where the rateable value is less than 100,000 in line with the detailed guidance issued by the Department of Communities and Local Government. This relief is available in 2017/18 and 2018/19 only. It will end on 31st March 2019.

State aid rules as detailed in section 4 will apply and the relief will be administered as detailed in Section 5.

Section 4: Supporting Small Businesses Relief

Relief will be awarded to ratepayers losing some or all of their small business rate relief in line with the detailed guidance issued by the Department of Communities and Local Government. State aid rules as detailed in section 4 and will apply and the relief will be administered as detailed in section 5.

Section 5: State Aid

The award of Supporting Small Businesses, Pubs and Revaluation Support Relief must comply with EU law on State Aid. Businesses applying for, or in receipt of, relief must advise the Council if they have received any other State Aid that exceeds, in total, €200,000 in a 3 year period, under the De Minimis Regulations EC 1407/2013. The total amount of State Aid received includes any other discretionary business rates reliefs being granted in respect of all properties for which the business is responsible. Further information on State Aid law can be found at <https://www.gov.uk/state-aid>.

Section 6: Administration

- Cheltenham Borough Council will administer the schemes under The Local Government Finance Act 1988 as amended by The Localism Act 2011 and The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059)
- Entitlement to Revaluation Support, Supporting Small Business Relief and Relief for Pubs will be dependent on the qualifying conditions being met. Relief will be recalculated or cancelled to reflect a change in circumstances, change to entries in Rating List, or any of the conditions cease to be met
- Decisions relating to the granting of reliefs will be delegated to the staff within the Revenues Service
- Reliefs may be granted automatically where information held on the business rate account confirms eligibility in line with the qualifying criteria. In these cases businesses will be asked to notify the council if they are in receipt of other State Aid
- Where sufficient information is not held businesses will be required to complete and submit an application form including a declaration in respect of State Aid

- There is no statutory right of appeal against a decision made by the Council in respect of Supporting Small Businesses, Pubs or Revaluation Support Relief. However, the Council will reconsider the decision if the ratepayer is dissatisfied with the outcome. The review will be carried out by the Chief Finance Officer in consultation with the Cabinet Member Finance
- If an unsuccessful applicant requests a reconsideration they will need to continue to pay their rates bill. Once the reconsideration has been carried out, the ratepayer will be informed, in writing, of the decision

Cheltenham Borough Council Cabinet – 13th February 2018 Events Programme

Accountable member	Councillor Rowena Hay – Cabinet Member for Finance
Accountable officer	Tracey Crews – Director of Planning
Ward(s) affected	All
Key/Significant Decision	Yes
Executive summary	<p>This report considers the options around delivery of a future collaborative events programme for Cheltenham. In this context it takes lessons learnt from the 9th September 2017 Cheltenham Festival of Cycling both in terms of costs related to the delivery of a major event, importance of partnership working and funding, impact on officer resources together with whether further activities under the Cheltenham Festival of Cycling banner should be supported.</p> <p>This report sets out 4 options to deliver a joined-up events programme for all stakeholders, with a budget to extend the town's event offer within the context of delivery of the council's 5 year strategy to grow the visitor economy.</p> <p>The budgetary impact of the options is:</p> <ul style="list-style-type: none"> £50,000 per annum to support the preparation and delivery of a collaborative events programme; and <p>In addition commitment is sought for delivery of a community based cycling event in 2018 and a one off allocation of up to £150,000 to deliver a major cycling event in 2019. Officers will work up a business case for the latter and present a future report to Cabinet.</p>
Recommendations	<ol style="list-style-type: none"> 1. Agree to the preparation of an events programme to support the delivery of the Council's 5 year strategy to grow the visitor economy that promotes Cheltenham as a world class destination. 2. Recommend a budget of £50,000 per annum be built into the base budget to support the delivery of a collaborative Cheltenham events programme which facilitates a mixture of high profile and community led activities and events. 3. Commit to delivery of a community based cycling event in 2018 and agree to seek to deliver a high profile cycling event in 2019 within the context of an events programme. Officers to bring back to Cabinet a business case for 2019 one off funding in due course.

4. Investigate the most effective means of the future delivery of the marketing and events programme and bring a further report to Cabinet accordingly.

Financial implications	<p>The 2018/19 budget proposals, to be approved by Full Council on 19th February 2018, include a base budget allocation of £50,000 per annum to fund a collaborative Cheltenham events programme. This will enable the Council to expand the existing offer, which will contribute to the local economy and add further diversity to the festival and events calendar.</p> <p>Given the success of the 2017 Tour of Britain event, the Cabinet has an aspiration to deliver a further major event in 2019 and will work with Officers over the coming months to identify the appropriate funding which may include external contributions through sponsorship.</p> <p>Contact officer: Paul Jones, Director of Finance, paul.jones@cheltenham.gov.uk , 01242 775154</p>
Legal implications	<p>There are various legal powers relevant to delivery models for this project, some of which may involve procurement under the Public Contracts Regulations 2015. Legal agreements and partnership arrangements will be prepared to set out roles and responsibilities and to manage any associated risks to the council.</p> <p>Contact officer: Solicitor shirin.wotherspoon@tewkesbury.gov.uk, 01684 272017</p>
HR implications (including learning and organisational development)	<p>The council currently has no directly employed dedicated events staff but it does have an extensive range of stakeholders who are engaged with the delivery of events and festivals. Currently there is little or no sharing of resource. Options to share via secondment agreements or via contract for services/SLA will need to be explored. Alternatively, the council may wish to recruit temp staff on short term contracts to assist. The HR BP will work with the Director of Planning to ensure adequate resources are in place for any planned events.</p> <p>Contact officer: Julie McCarthy Publica Group Limited julie.mccarthy@cheltenham.gov.uk Tel 01242 264355</p>
Key risks	Risks are set out in Appendix 1.
Corporate and community plan Implications	Should Cabinet support the development of an events portfolio then this would support Corporate Strategy objective ECON 1 (We will work in partnership with key stakeholders to develop a longer-term strategy for place making and growth)
Environmental and climate change implications	
Property/Asset Implications	<p>No direct property issues</p> <p>Contact officer: Head of Property, david.roberts@cheltenham.gov.uk ; 01242 264151</p>

1. Background

1.1 The purpose of this report is twofold;

1. to consider the case for a longer term investment and commitment to the marketing and promotion of Cheltenham as a visitor and cultural destination, and
2. to consider the future activities under the banner of the Cheltenham Festival of Cycling and whether hosting another high profile cycling event is appropriate.

This is set within the context of current weaknesses in a strategic approach to events delivered by Cheltenham Borough Council and is set within the learning from the success and impact of the Cheltenham Festival of Cycling held in September 2017. This report sets out options to link the overarching marketing strategy for Cheltenham with a joined-up events programme for all stakeholders, with a budget to extend the town's event offer and within the context of delivery of the council's 5 year strategy to grow the visitor economy.

1.2 There are a number of important considerations related to this matter:

- Cheltenham has a strong reputation for being a festival town and there are opportunities to expand the offer, contributing to the local economy and adding further diversity to the festival & events calendar.
- Proactive steps have recently been taken by the council to promote Cheltenham as a visitor and cultural destination with ambition; these are set out in the emerging Place Strategy, through the approved 5-year visitor & marketing strategy and the launch of Marketing Cheltenham in November 2017. These activities clearly establish the value of events and culture in helping to define the town, adding to the local economy, animating our streets, public spaces and parks and raising the towns profile, national and internationally
- Events play an important role as one of the key 'products' used to effectively promote and market a destination, increasing profile, footfall and spend. In addition, they can be also used to reinforce the key characteristics / attractions the town has to offer which contribute to its brand.
- The role events can play as one of the marketing tools to promote the town, as demonstrated with the successfully delivered Cheltenham Festival of Cycling on 9th September 2017.
- Cheltenham does not have a formal events strategy or an overarching events calendar. There are a number of key stakeholders who host events / festivals including: Cheltenham Festivals (CF), the Jockey Club (racecourse), The Cheltenham Trust (TCT), Cheltenham Borough Council (CBC), the Business Improvement District (BID) and Gloucestershire University (GU). All are members of the Tourism Partnership, which is led by the council via Marketing Cheltenham following its recent launch. There are also other operators including the food & wine festivals etc.
- All key stakeholders acknowledge the need for a joined-up programme linked to the overarching marketing strategy to develop the visitor economy and promote the profile of Cheltenham as a world class destination. Leadership is required if progress is to be made, and this is set out as an objective of the council's visitor / marketing strategy.
- Marketing Cheltenham is funded through a partnership model. It is in its third month of operation. It is funded by £70,000 per annum from CBC (generated through savings within Place and Economic Development transformation programme) and £70,000 from

membership contributions. If there is ambition to accelerate the development of a joined up events programme, and build in additional events, investment and resource would be required. Such a programme would strengthen the marketing offer and potentially assist in attracting higher levels of partner support and membership contributions.

- The council currently has no dedicated events resource. Cheltenham has an extensive range of stakeholders who are engaged with the delivery of events and festivals, however, there is little or no sharing of resource and capacity. Across the stakeholder base, there is a considerable depth of specialist and dedicated resources geared around the development, marketing and delivery of events; all heavily reliant on the strength and profile of the name / brand of Cheltenham.
- One of our aims is to establish a strong town brand as well as drive foot fall at a time when businesses need it. Events are key to these aims. If our events are not linked to a strategy then we risk diluting our message. An event strategy must be informed by;
 1. The unique characteristics and aspirations of the town,
 2. Market demand and,
 3. Cheltenham's business need.

From our brand work to date, the strongest USP of the town is the Regency architecture/heritage however; our research has shown that it is currently known mainly for horse racing. The other festivals were hardly acknowledged unless prompted. Thinking of this in the context of the Cheltenham Festival of Cycling - Cycling is not what Cheltenham is associated with. That said, if we aspire to increase cycling visitors and present ourselves as a cycling town, then the legacy programme of cycling infrastructure and/or cycling experiences need to be invested in too. Without this, the headline publicity from the events will raise expectations that are not fulfilled. If the 'cycling product' is not in place or being invested in, then interest gained from the event will be short lived.

- From our research, we know that the main drivers for people taking a 'short break' are heritage, shopping and food and drink in that order. Events are much lower down the list. That said, events are a driver for increasing 'day visitors' from the region as has been seen in Gloucester. We have an exceptional heritage but there are currently no significant events that we know of within the town. In terms of Cheltenham's business need, there are a relatively high number of accommodation businesses within Cheltenham (in comparison to Gloucester and the rest of the Cotswolds), therefore staying visitors are important to us. Our challenge is that we currently have no clear understanding of occupancy rates within the town throughout the year. Marketing Cheltenham is in the process of setting this straight with a project to assess the levels of occupancy across Cheltenham in 2017. They are also looking at the current event calendar and visitor footfall to those events. This information will help inform where the gaps are and when events need to be invested in, supported or new events developed. This work will be completed by the end of February.
- Based on the above, we might better focus investing in events that we know larger audiences are interested in at a time to suit our business need. Creative events highlighting our heritage, food and drink and shopping need to be explored, along with a review on other niche events that currently take place but could be a big draw if they had the investment. This does not exclude cycling, but we need to be clear on our outcomes.

2. Cheltenham Festival of Cycling 2017 – impact on Cheltenham

- 2.1** On Saturday 9th September 2017 Cheltenham hosted the penultimate finish stage of the Tour of Britain. The commitment to this event was established on 18th July 2016 when Council agreed £100,000 to support the initiative. This commitment was reconfirmed by Cabinet on 13th

December 2016 against the outcomes of:

- Showcasing Cheltenham and Gloucestershire to an international audience – platform for setting ambition for the town
- Social & community benefits including
 - encouraging modal shift & benefits of cycling
 - Promoting the health agenda
 - Supporting efforts to reduce traffic and improve air quality
 - Inspire participation in sport and competitions

2.2 The Cheltenham Festival of Cycling was well received with 83% (sample) describing the event as 'very enjoyable'¹. Against the backdrop of the Tour of Britain; a family zone was created at Pittville Park, demo zone in the Long Gardens together with the race village at Imperial Gardens. Predominantly activities were free or very low cost to access. A focus was placed upon business and community engagement and this resulted in:

- 50+ lime green bikes focussed in the Cheltenham BID area, creating a bike trail and a focal point for social media
- Go ride activities led by British Cycling
- Designated car free road space
- Business brochure with ideas and opportunities for promotion
- 62% of visitors inspired to cycle more often²ⁱ
- Competitions for visitors and businesses
- Art installations
- Inclusive activities
 - Adaptive bikes
 - Inclusive games
 - Viewing area for wheelchairs/scooters
 - Under 5's activities
- Recruitment of volunteers and ambassadors of the Cheltenham Festival of Cycling
- NHS health bus

2.3 Data derived from Frontline Economic Impact Report – OVO Energy Tour of Britain 2017 (see appendix 2) indicate that the stage 7 event delivered well, drawing the highest number of visitors of 240,000, with 40,000 of these visitors recorded within Cheltenham – the highest single attendance with the largest stretch of crowd along the route for the whole of the Tour of Britain event.

2.4 This report also suggests event related expenditure of just over £1m into the local economy through spend on items such as travel, accommodation, food and drink, shopping and entertainment, with a further £3m projected spend across Gloucestershire. This analysis needs to be balanced against local feedback from businesses. The BID (who supported the delivery of the event) sought feedback from town centre businesses regarding the impact the events had on trade and how they felt about the event. Food and beverage providers saw good increases however; some retailers reported a downturn in sales. Despite this and the fact the heavy rain was challenging for a lot of the day, the overall feedback was positive. Although the event saw large numbers in the town centre, they dispersed very quickly once the event had finished. It is therefore likely that some of the spend figure may have been mitigated by lost income in parts of the town centre.

¹ Frontline Economic impact Report – OVO Energy Tour of Britain 2017

² Frontline Economic impact Report – OVO Energy Tour of Britain 2017

- 2.5** The event clearly achieved the desired outcome of promoting Cheltenham's profile as visitor destination and attracted significant numbers of visitors on the day.
- 2.6** With regards to cycling legacy, it demonstrated there was great enthusiasm for cycling. There is potential for Cheltenham to build a reputation as a cycling friendly destination. In particular the lime green and 'arty' bike promotions contributed to this awareness. The hosting of further cycling events would certainly contribute to that aim. There is a strong fit with the emerging Place Strategy ambitions relating to sustainability and active living.

3. Cheltenham Festival of Cycling 2017 – impact for Cheltenham Borough Council and possible future options

- 3.1** The cycling festival was delivered using existing resources, drawing heavily on council officers who took on the project in addition to their other priorities and workload. This was a positive developmental exercise and built resilience and skills for many involved. However it had the impact that some existing work streams needed to be delayed or capacity reduced. It is estimated the use of existing officer resources delivered an 'in kind' value of around £80,000 to the project. If such an event were planned in the future – it is likely to cause significant impact on the delivery of other core business. This report reflects this impact in section 5 and the need to appropriately resource event delivery.
- 3.2** Overall the event cost around £225,000 to deliver. This was mitigated by partner contributions made by Cheltenham BID, Tewkesbury, Cotswolds and County Council of £60,000, a further £66,000 was raised through sponsorship together with in kind sponsorship and income from market stalls and food outlets. This resulted in a net cost to the council of around £96,000 (a breakdown is provided at appendix 3). This figure does not include the estimated council in-kind staffing costs of around £80,000 or the county council's direct costs to support the delivery of the project (car parking suspensions, network support, repairs etc.).
- 3.3** The council is advised that with longer lead-in times for the marketing and promotion higher levels of sponsorship could be achieved, bringing the direct cost down. The cost effective delivery of a major event is clearly dependant on the success of promotion and sponsorship sales. In planning for future events it is prudent to consider the overall potential financial exposure which could range from around £50,000 or less through to a worst case of around £280,000 if staffing, project management and other associated costs are included.
- 3.4** In the context of continuing the brand of the Cheltenham Festival of Cycling are a number of possible options or categories that could be considered;
- 1. High profile events:** such as the Tour of Britain provides national and international exposure of Cheltenham. Creating opportunities to bring in professional athletes with a high visitor draw and spectator following. Taking account of the lessons learnt regarding the sponsorship timeline, if a large cycling event were to be held again, this would need lead-in of c.18 months to capitalise on the sponsorship opportunities and engagement with businesses. Cost estimate c. £50,000 to £280,000. The lower costs estimate reflects effective partnership contributions and sponsorship being secured.
 - 2. Sport club events:** working with local sporting clubs and associations to create amateur events aimed at competitive sport, engaging at a community level to promote access to sporting activities, health and well-being. Establishing a short circuit race suitable for the town centre (1 – 1.5km), or something longer in length, such as a Kermesse style event (90 – 140 km in length). Cost estimate c.£30,000 – 50,000
 - 3. Community focussed:** working with partners to deliver activities such as
 - Car free day/community street cycling
 - Big commuter challenge/workplace engagement

- school engagement

Cost estimate c. £10,000 to £20,000 depending on size and type of event.

4. Longer term events programme aspirations and desired outcomes

4.1 It is important to consider the reasons or desired outcomes of any significant spend from marketing and promotional activities such as the hosting of a major event. This is best articulated through some of the primary ambitions in the emerging place strategy. Of particular relevance are the ambitions to be a:

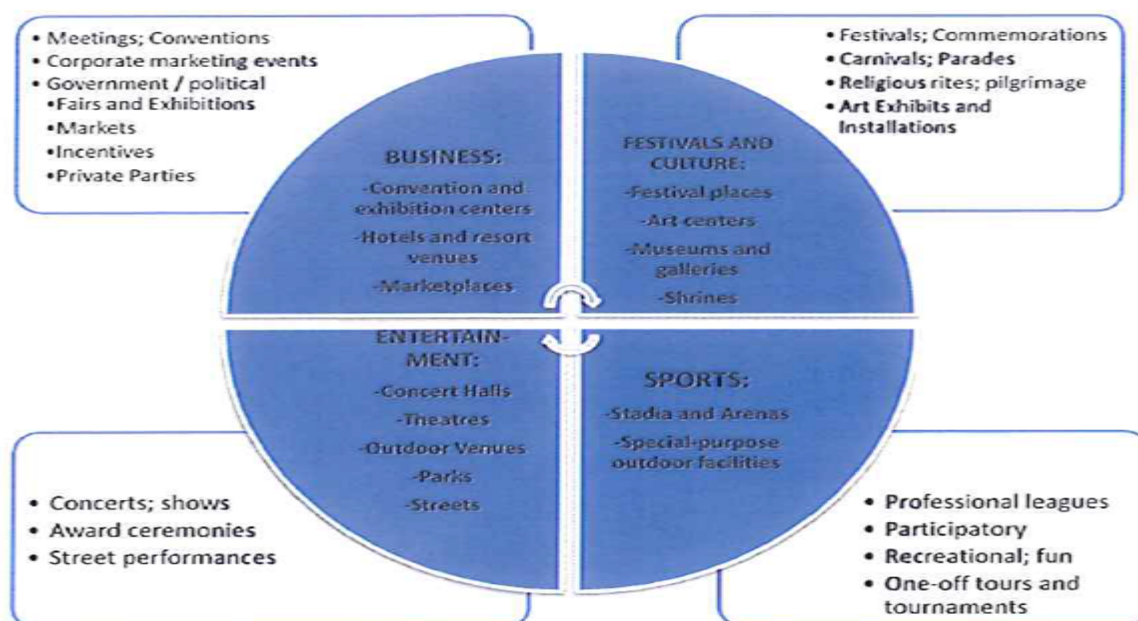
- world class visitor destination and cultural capital of the Cotswolds
- great place to live work and visit with a strong and growing economy

4.2 The council's newly adopted marketing strategy clearly supports the delivery of these ambitions in that it seeks to:

- Increasing the number of visitors, overnight stays
- Increase the profile and attractiveness of the town to visitors in the UK and internationally
- Encourage inward investment and attractiveness and a place to work and live

4.3 Future investment in significant marketing & promotional activities need to be carefully considered as to the value for money achieved for the desired outcome. This investment should be part of the overarching marketing strategy for the town and support of the longer term place ambitions.

The diagram below provides an indication of the key areas that are used to promote visitors and tourism.



³Extract from "progress and prospects for event tourism research", Donald Getz & Stephen Page (2016)

4.4 Consideration also needs to be given to the additionality any marketing and promotional activity has in supporting the delivery of other key corporate / place ambitions and the Cheltenham brand.

³ http://researchprofiles.herts.ac.uk/portal/files/11255021/1_s2.0_S0261517715000679_main.pdf

- 4.5** In hosting the Cycling Festival, the council primarily sought to promote Cheltenham as a visitor destination and increase the profile of cycling and its far reaching benefits. There is evidence to show there was a positive economic impact, the event attracted large number of visitors and promoted Cheltenham's profile. It is clear that this association with healthy and active lifestyles is also strong and the fact that many visitors and residents would consider cycling in the future because of the event. Therefore there is a strong fit with other place ambitions to be:
- one of the country's most healthy and active towns
 - a clean and green town (reducing omissions and encouraging sustainable transport)
- 4.6** Marketing Cheltenham is currently delivering the approved 5 year strategy to grow the visitor economy. The promotion of Cheltenham and increasing visitor numbers are key objectives. The development of an events programme is part of the strategy; however, there is currently limited budget to support the delivery of events and no budget allocated within existing council budgets.
- 4.7** Cheltenham is renowned for its world class festivals delivered by Cheltenham Festivals and the Jockey Club. CBC and TCT also deliver a number of lower key community focused events. The BID, now in its second year of operation is growing a programme of events helping to add to the vitality of the town and its cultural and economic ambitions. Whilst there is lots of activity, there is no overarching programme for co-ordinating these events.
- 4.8** Marketing Cheltenham is funded through a partnership model. It is in its third month of operation. Growth in the membership base over a number of years is required to develop the funding base. If there is ambition to accelerate the development of an events strategy and joined-up programme, additional investment and resource would be required. All the key stakeholders are members of the Tourism Partnership which is coordinated by Marketing Cheltenham. This would be the obvious place for a collaborative events programme for Cheltenham to be developed, and effectively delivered.

5. Proposals for an Events Programme and financial impact

- 5.1** There are gaps in the existing events calendar and a demonstrable need to better co-ordinate and market this as a joined-up events programme for Cheltenham. There is also evidence to support investment in the delivery of more events, potentially filling gaps in the calendar, supporting the ambition to increase visitor numbers, particularly around some of the key themes that will build product and activity around the key themes contributing to Cheltenham's brand.
- 5.2** If one of the ambitions is to grow Cheltenham as a cycling friendly destination, part of the events programme should include a commitment to the delivery of cycling specific events (based on the success of the Cycling Festival). The hosting of further cycling events would certainly contribute to that aim.
- 5.3** Four proposals responding to the issues raised in this report are set out below.

1: Commit to developing a formal events programme as part of the wider visitor and marketing strategy for Cheltenham. Provide an ongoing financial commitment of £50,000 per annum to:

- a. Act as a lever to attract additional partner funding.
- b. Develop and deliver a joined-up programme for Cheltenham working with all key partners through the Tourism Partnership Board.
- c. Develop a sponsorship strategy and invest in developing long term relationships with key businesses with a shared interest in the outcomes of Cheltenham event programme
- d. Schedule and deliver additional events as part of this programme that would make

most positive impact to the effective delivery of the council's visitor and marketing strategy (potentially including cycling events).

- e. This would be administered by the council via Marketing Cheltenham as part of their action plan.
- f. Appoint a dedicated officer resource to lead the Cheltenham events programme.
- g. Provide appropriate project management.

2: Undertake a review of options for the delivery of events within the programme, as part of the wider review of governance for Marketing Cheltenham (as part of the agreed action plan). Consideration should be given to the role each of the key stakeholders play and the resources / skills they have to support the delivery of the events, as well as the effectiveness in raising income and sponsorship. This option would include investigating relevant delivery vehicles and possible collaboration with existing bodies.

3: As part of the events programme in option 1 above, include a community focused cycling event for this year (2018). The costs would be included as part of the annual events budget proposed.

4: Commit to hosting another major cycling event in 2019. A target would be to deliver the event with an additional one-off budget of £150,000. Further assessment is required and officers would need to report back to Cabinet on options and financial exposure.

- 5.4** The funding options above have reference to officer staffing costs, but costs would depend on the type and size of event and in the context of sponsorship and sales supporting the financial position of the event. Should commitments be made in respect of priorities within an events programme then existing work priorities and capacity will need to be reconsidered in the short term until such a time as a resilient resource for event delivery is put in place, or financial resources allocated to fund backfilling of key staff. Careful consideration would need to be given to the desired skill sets against those currently available within the existing staff resources.
- 5.5** There is clear synergy of working in partnership with the BID and Marketing Cheltenham, with opportunity to work alongside other event providers and partners. This offers an opportunity to consider wider potential funding options for the future both to support preparation of a Cheltenham events programme and its delivery.
- 5.6** As a minimum, resource would need to be allocated to fund expertise in event delivery to develop a collaborative events programme.
- 5.7** As summarised in this report there is currently no identified budget for the delivery of events or the marketing and promotion of Cheltenham as a destination. Promotional and marketing activities were part of The Cheltenham Trust's contract. Following the recent review of tourism activities and the approval of a 5 year strategy to grow Cheltenham's visitor economy Marketing Cheltenham has been established. The delivery of the current marketing plan is funded through collaborative model as set out in section 2 of this report. The options above recommend an annual budget be allocated of £50,000 per annum, and for this to be used as a lever to attract partner funding for the collaborative delivery of a Cheltenham events programme.
- 5.8** The delivery of the Cheltenham Cycling Festival 2017 was agreed via a one off commitment to host the Tour of Britain, this was before the establishment of Marketing Cheltenham and the adoption of the 5 year strategy to grow the visitor economy. A one off budget of £100,000 was allocated.
- 5.9** As set out in section 3 it is important to note that if further major events are hosted, they do come at a considerable cost although there is evidence to suggest that the impact of the local economy

justifies the financial outlay. The context of section 3 relates to cycling events, but this provides a useful benchmark for other major events. With effective fundraising and sponsorship these costs can be mitigated but such activities need to be properly planned, resourced and programmed and no certainties can be given as to level of committed sponsorship at the outset of any event.

- 5.10** Costs of events need to take into account direct costs of contracts, suppliers and infrastructure, but also project management and supporting officer costs together with partner contributions. The overall estimate cost risk of planning and hosting a major event (the requirement to underwrite all costs) is in the region of £200K to £280K including direct costs and staff resources.
- 5.11** As set out in section 4, Marketing Cheltenham is in its infancy and direct support would be needed to support the preparation of an events programme.

6. Consultation and feedback

- 6.1** Informal consultation has been undertaken with a variety of potential partners. Engagement has included Marketing Cheltenham, Executive Board and Cabinet.

Report author	Contact officer: Tracey Crews – Director of Planning, tracey.crews@cheltenham.gov.uk, 01242 774405
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Frontline Economic Impact Report – OVO Energy Tour of Britain 2017 3. Cheltenham Festival of Cycling – Financial Summary
Background information	None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Borough Council is not able to achieve partnership and sponsorship to support an events programme then this would expose the Council to financial risk	Tim Atkins	30/01/2019	4	4	16	Reduce	<ul style="list-style-type: none"> Ensure sponsorship has an appropriate lead in time Make early contact with potential sponsors to capture interest in events Renew contact with potential sponsors developed in undertaking the Cheltenham Festival of Cycling Work with partners e.g. Gloucestershire County Council and Cheltenham BID to agree partnership funding Investigate all suitable match funding opportunities 	TBA	An events programme project lead would need to be assigned if Cabinet decide to proceed.	Transfer to relevant project risk register
	If the Borough Council does not make appropriate financial provision to deliver the	Tim Atkins	30/01/2019	4	3	12	Reduce	<ul style="list-style-type: none"> Events programme to be identified within Council budget 	Feb 2018	An events programme project lead would	Event project risk register

	ambition of a collaborative events plan it will impact on existing priorities and resources.							<ul style="list-style-type: none"> setting Events programme to be planned within context of budget allocated Project management put in place to manage an events programme and delivery To work on prioritisation of projects with senior officers and relevant Cabinet leads. 		need to be assigned if Cabinet decide to proceed.	
	If the Borough Council proceeds to deliver a high profile cycling event in 2019 without sufficient budgetary provision it would be liable for the full risk of the event	Tim Atkins	30/01/2019	4	3	12	Reduce	<ul style="list-style-type: none"> Work up a business case for 2019 funding Early work with partners and potential sponsors 	TBA	An events programme project lead would need to be assigned if Cabinet decide to proceed.	Transfer to relevant project risk register
	If there is significant disruption to residents and business as a result of the success of an events programme there may be complaints made leading to a detrimental effect on the Councils reputation	Tim Atkins	30/01/2019	3	3	9	Reduce	Clear communication and engagement with the affected communities to reduce the impact to them and provide opportunities for them to thrive because of identified event.		Relevant project officer of any identified future event	Transfer to relevant project risk register
Explanatory notes											

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

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

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

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

Appendix 3 Cheltenham Festival of Cycling – Financial Summary

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	Total
Expenditure	
Sweetspot	100,000
Project Management	21,337
Marketing (APT)	10,500
Traffic management etc.	25,898
Stewards & radios	4,863
Highways bollards etc.	3,750
First Aid	4,290
Toilet hire	1,400
Refuse Collection	658
Pittville Screen , barriers etc.	8,135
Arty Bikes	4,000
Launch Event	2,007
Other marketing and Website	1,733
Custodians	429
Premises licence	46
Misc expenses	659
	<hr/>
	189,705
	<hr/>
Income	
Local Authority Contributions	(60,000)
Sponsorship & Hospitality Income	(66,425)
Sponsorship Costs	7,198
Hospitality Costs	18,624
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	(40,603)
APT Commission on sponsorship raised	9,963
Market stalls and misc sales	(2,932)
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	(93,572)
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Net cost to CBC	96,133
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The OVO Energy Tour of Britain 2017

Economic Impact Report



Page 59

Stage 7: Hemel Hempstead to Cheltenham

1 Introduction

Welcome to Frontline's economic impact assessment of the OVO Energy Tour of Britain 2017. This economic impact assessment is based upon the findings from a web-based survey of 1,904 Tour spectators and follows the principles set out in HM Treasury's 'Green Book' Appraisal and Evaluation Guidance and the EventIMPACT guidance. This paper explains the impacts resulting from stage seven of the race, held between Hemel Hempstead and Cheltenham. As well as a wider Cheltenham Festival of Cycling, with activities delivered across the entire town. This took place on the 9th September 2017. The objectives of the research are to:



The remainder of the paper is structured as follows:

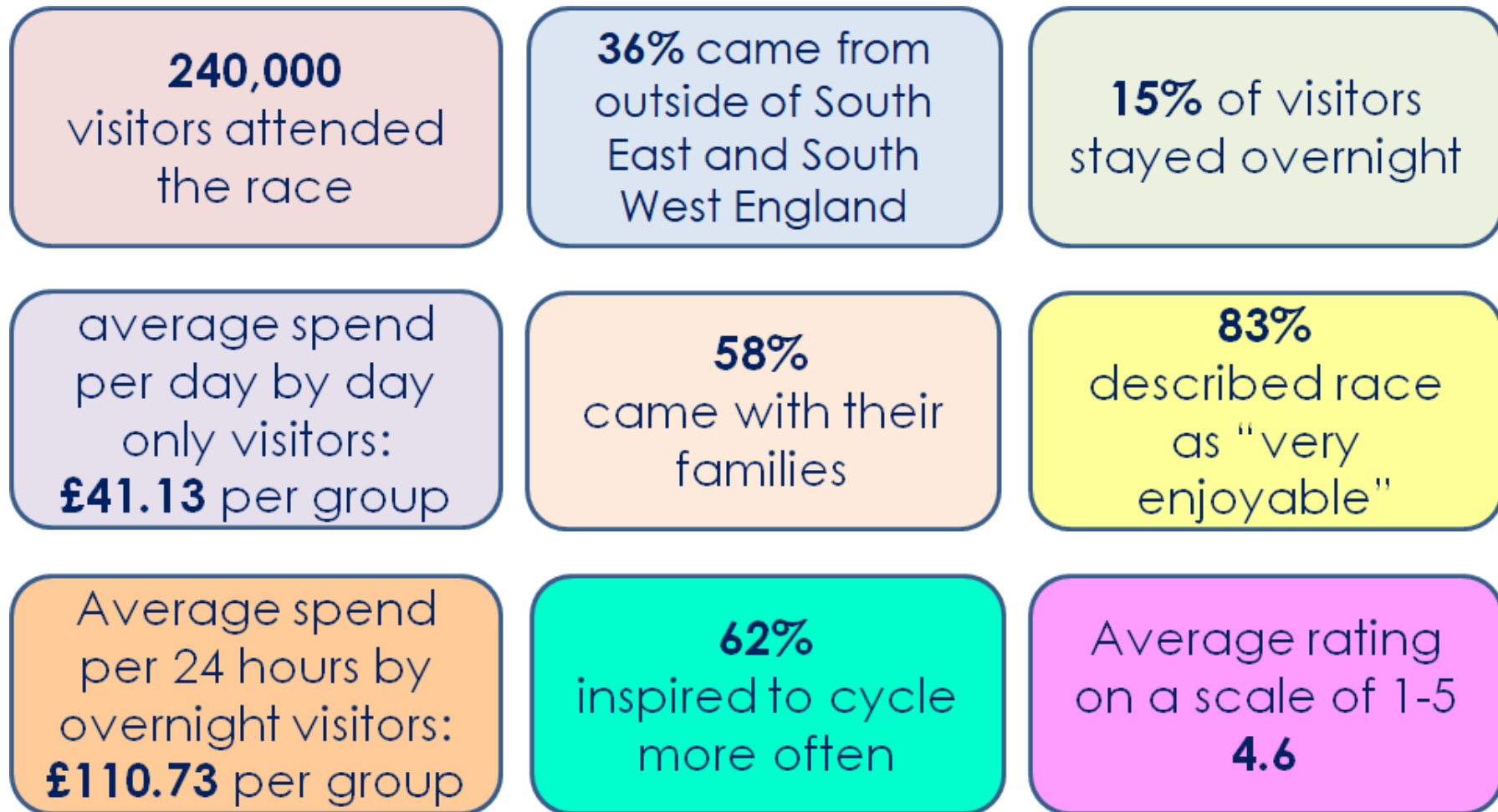
Section 2: The event and the visitors

Section 3: Economic impact assessment

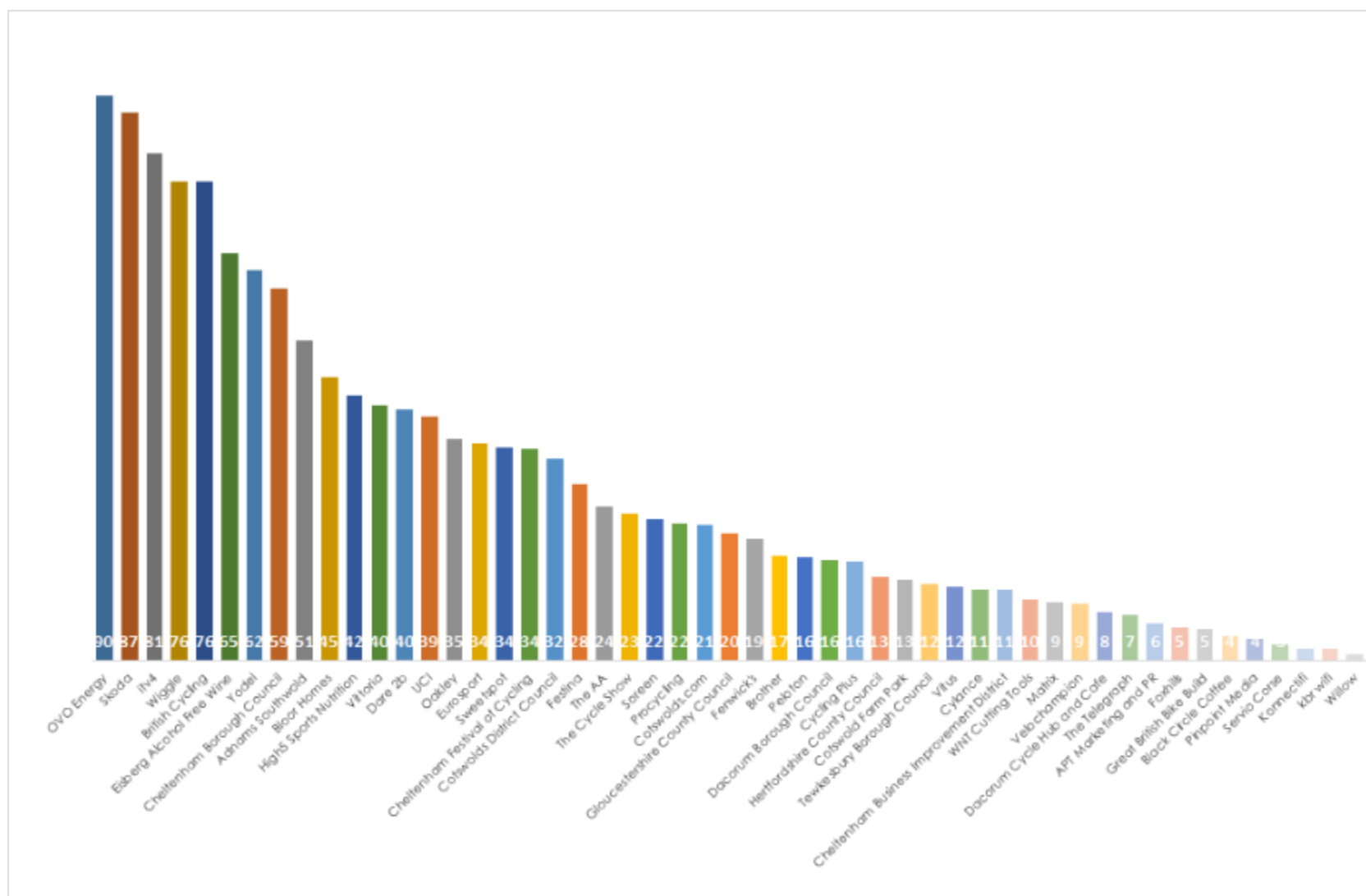


2 The event and its visitors

We show some of the key statistics for the race and the Cheltenham Festival of cycling below:

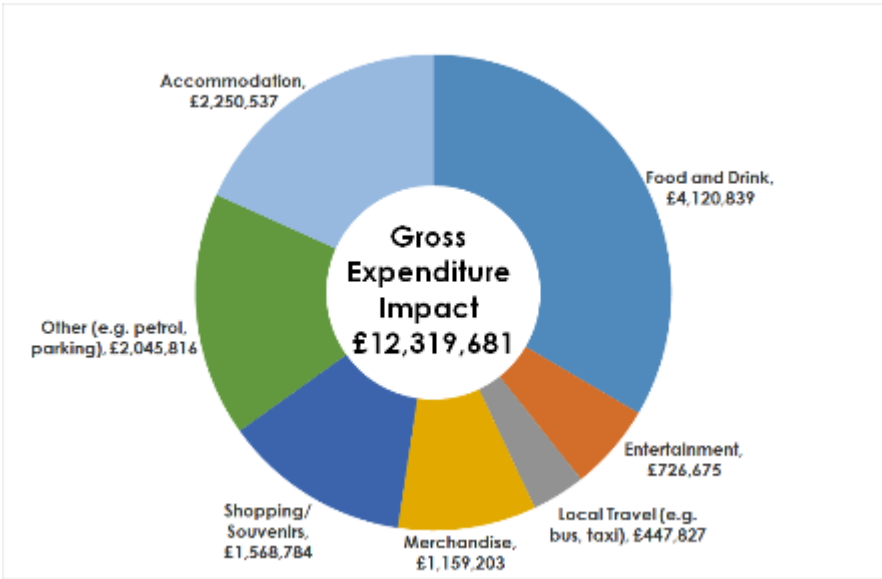


The following chart shows the % of visitors who associate each of the following sponsors with the race and cycling festival:



3 Economic impacts

The total gross expenditure at the event was £12,319,681. This can be broken down as follows:



To calculate the net visitor expenditure, GVA and employment impacts we applied the following adjustments to this figure:

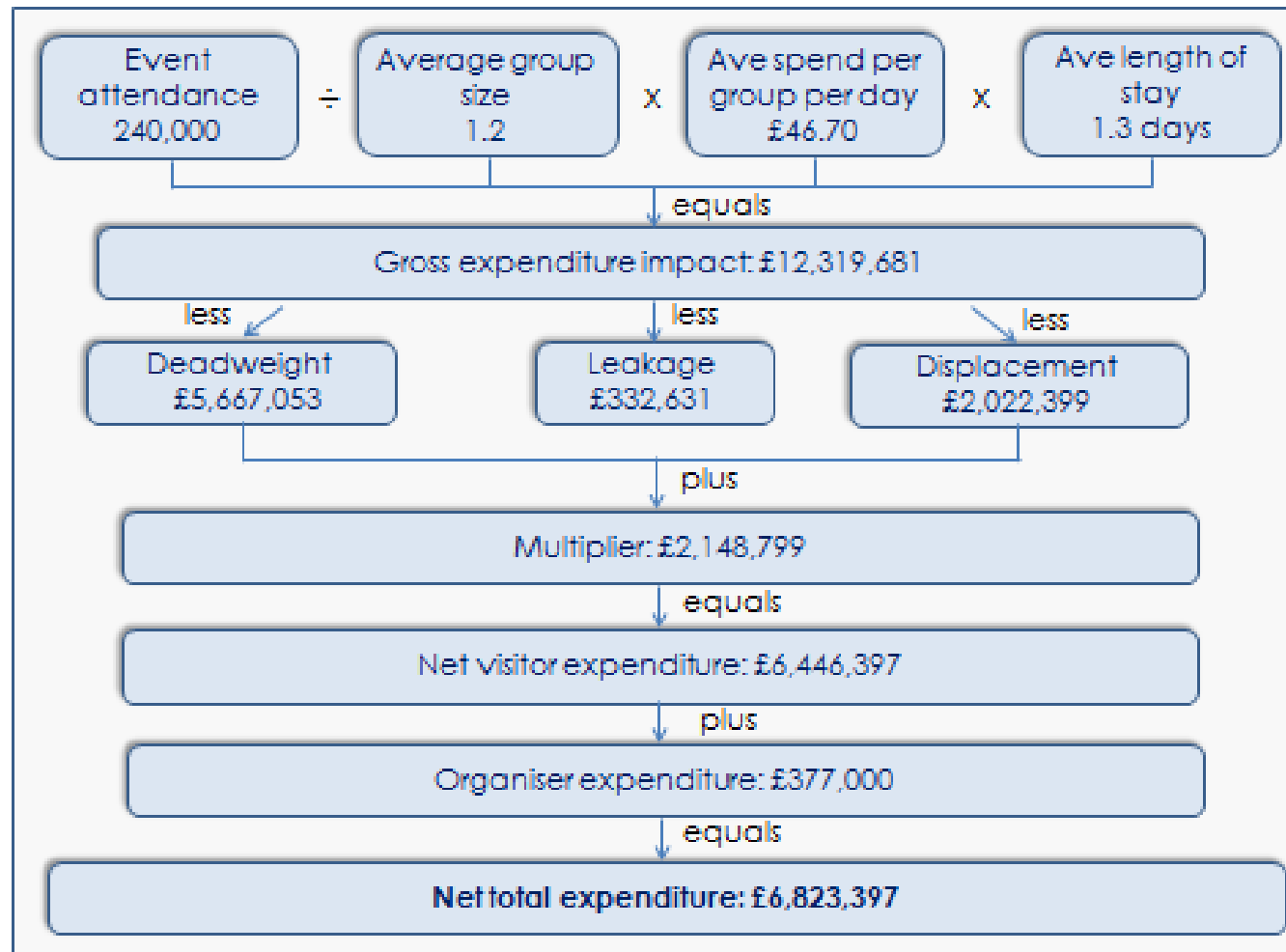
Deadweight	Money that would have been spent in the area anyway, even if the race hadn't taken place. E.g. spend by spectators for whom the event was not the sole reason for their attendance.
Displacement	Money that would otherwise have gone to another business in the local area. E.g. spend by visitors who would have otherwise visited another local attraction.
Leakage	Expenditure that took place outside of the local area. E.g. purchases of travel tickets or petrol at the start of the journey.
Multiplier Effects	Knock-on benefits resulting from further local supply chain purchases by the businesses that receive the visitor spend (indirect multipliers), or the personal expenditure of their staff (induced multipliers)

We provide full details of our methodological approach in Appendix 1.



Summary of economic impacts – UK

The figure below shows the net visitor expenditure of the event on the UK economy. We present our findings for other areas in Appendix 2.



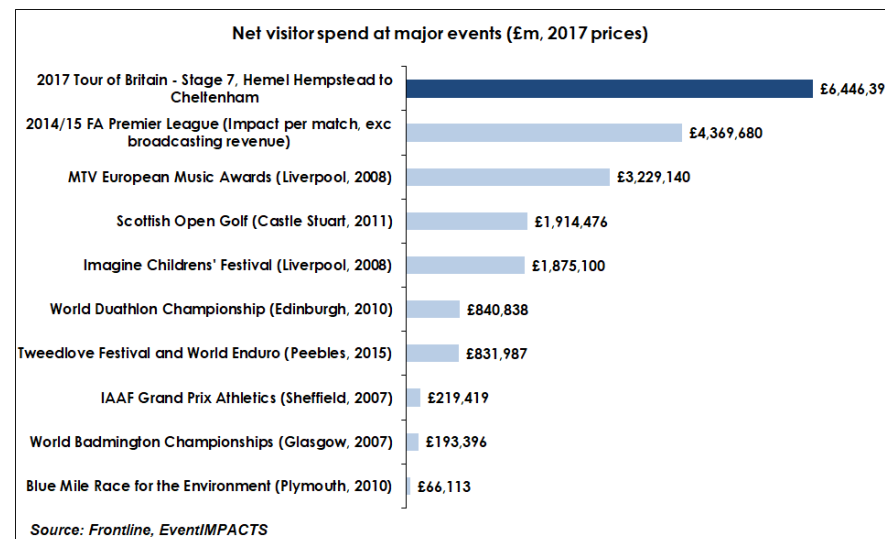
We have added the total sponsor, commercial, PR and technical expenditure associated with each stage in the figure below.

We summarise the net expenditure, net employment and net GVA impacts, including this organiser expenditure, in the table below, which includes both visitor and organiser expenditure aggregated together.

We have assumed that GVA impacts will equal 51.7% of business turnover, based on an analysis of turnover and GVA figures for the retail and hospitality sectors, as reported in the most recent Office for National Statistics (ONS) Input-Output tables. We also assume a UK average productivity rate of £39,000 per full time equivalent (FTE) worker (based on figures in the ONS Blue Book)

Expenditure	Dacorum	Cheltenham	Gloucestershire	UK
Net visitor spend	£795,788	£1,063,040	£3,050,322	£6,446,397
Net organiser spend	£29,438	£29,438	£29,438	£377,000
Total net spend	£825,225	£1,092,477	£3,079,759	£6,823,397
GVA	£426,641	£564,811	£1,592,235	£3,527,696
FTE Employment	10.9	14.5	40.8	90.5

These impacts compare favourably with the net total expenditure impacts of other, similarly sized events, which have taken place in the UK over the past few years:



Appendix 1: Tour Series, Tour of Britain and Women's Tour of Britain economic impact assessment methodology

The gross visitor spend figures have been calculated based on the aggregate visitor expenditure of the visitor survey respondents, scaled up to the total number of visitors. This was then converted to a net economic impact figure based on the following approach:

Deadweight

We accounted for deadweight by asking the question "why did you come here today". Options included:

- Watching the race/stage was my sole reason for visiting
- Watching the race/stage was part of my reason for visiting
- Watching the race/stage was not part of my reason for visiting
- I live locally
- I work locally

We assumed that any spectator that comes to the location solely to watch the race should be classified as 0% deadweight; that any spectator for whom watching the Tour was part of their reason for attending should be classed as 50% deadweight, and that all other spectators should be classed as 100% deadweight.

Leakage

Based on experience from previous research studies, we assumed leakage of 20% at a town level, 10% at a county/local authority level and 5% at a UK level.

Displacement

We measured displacement by asking the question "if the Tour of Britain/Tour Series had not been on, what would you have done instead of your visit?". Options included:

- Visited another event or place in the host local authority areas
- Visited another event or place elsewhere in the host region
- Visited another event or place elsewhere in the UK
- Visited another event or place outside of the UK
- Stayed at home or gone to work

We classified any expenditure by visitors who would otherwise have visited somewhere else in the study geography as displaced expenditure.

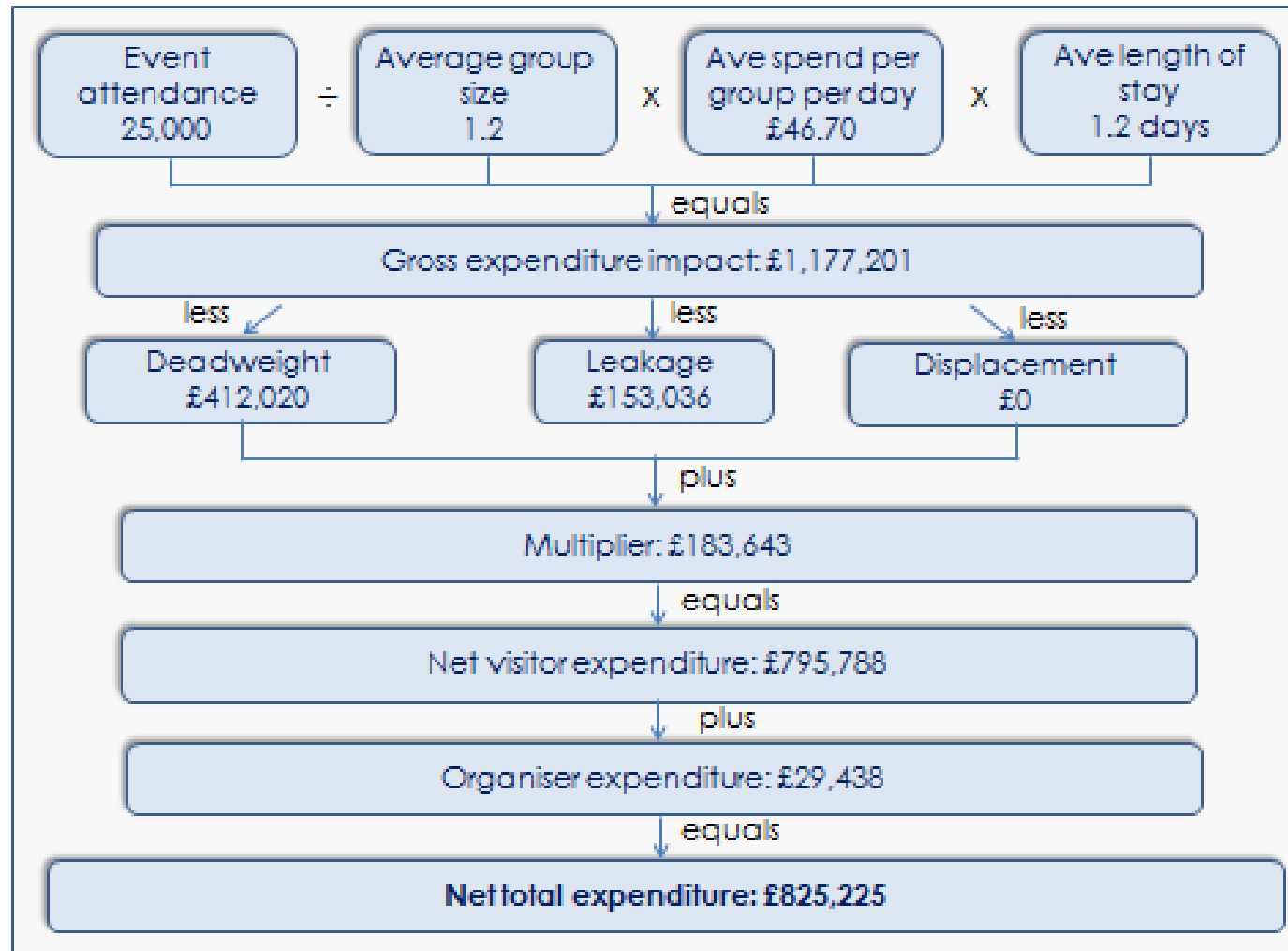
The multiplier effect

We estimated the impact of the multiplier effect based on evidence from previous published research, including reports published on the UK Sport Impact research database. In previous years we have taken an average from other sporting events, including the World Half Marathon Championships and the Rugby Super League Grand Final.

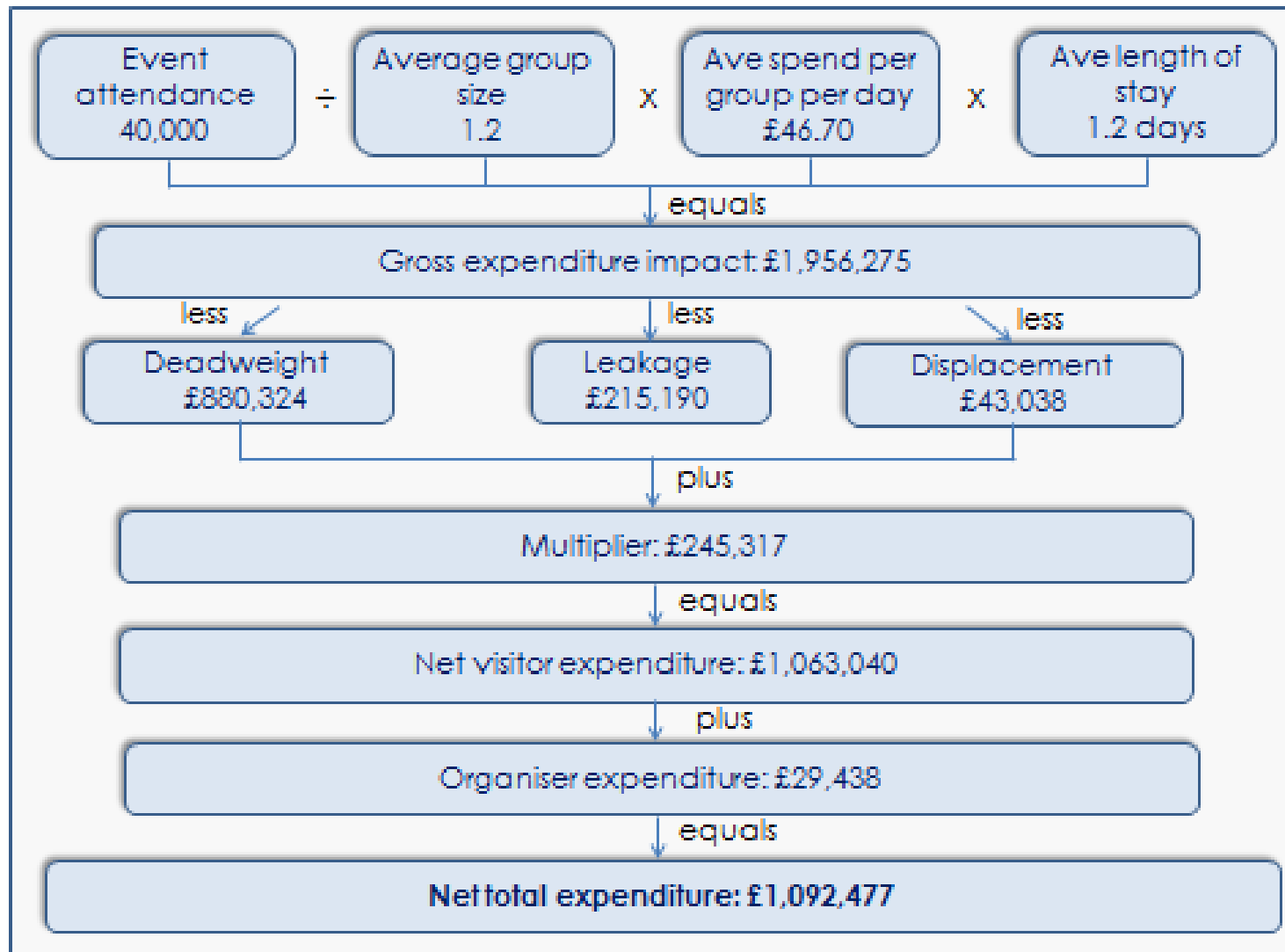
For stages in Scotland, our estimates were based on the mean average Type II output multiplier for the retail, accommodation and food and beverage sectors as reported in the 2013 Scottish Government Input-Output tables. We also assume 75% of this multiplier at a local level, and 125% at a UK level.

Appendix 2: Local area economic impacts

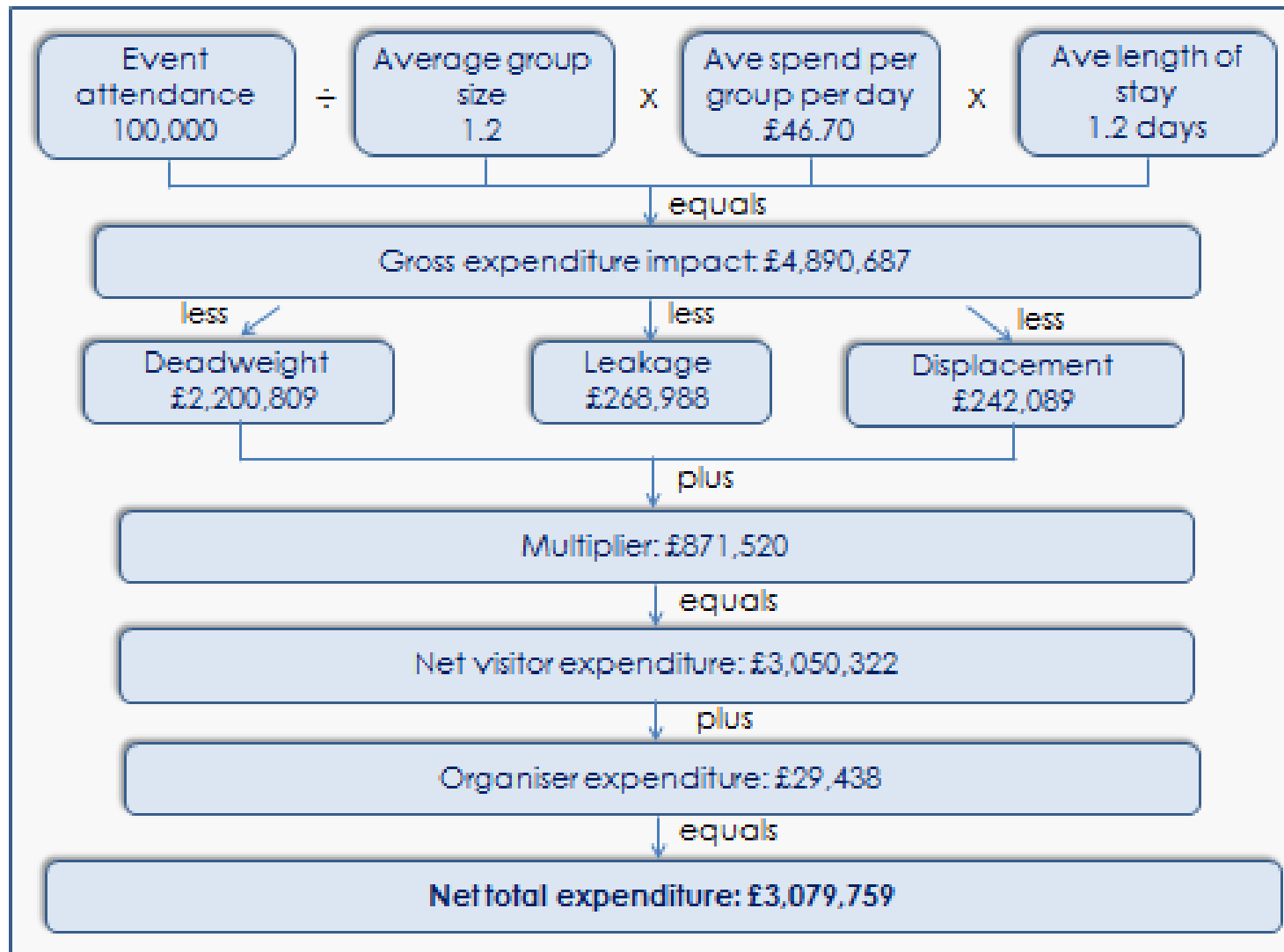
The figure below shows the net visitor expenditure of the event on the **Dacorum** economy.



The figure below shows the net visitor expenditure of the event on the **Cheltenham** economy.



The figure below shows the net visitor expenditure of the event on the **Gloucestershire** economy.



Appendix 3: Breakdown of visitors by area of origin, age and gender

Gender	Sample	Region	Sample
Male	69%	South West	37%
Female	31%	South East	27%
Age group	Sample	West Midlands	14%
16-24	4%	East of England	11%
25-34	9%	East Midlands	3%
35-44	20%	London	2%
45-54	40%	North West	2%
55-64	20%	Wales	2%
65+	7%	Yorkshire and Humber	1%
		Scotland	1%
		Outside the UK	1%

Appendix 4: Breakdown of gross visitor spend by day and overnight visitors

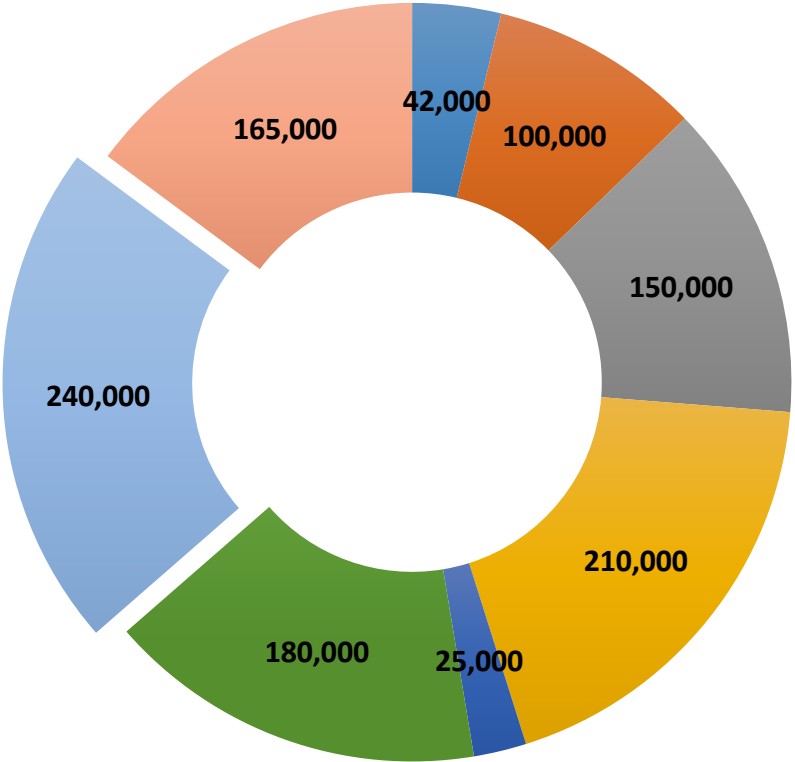
Type	Gross visitor spend
Day	£10,069,144
Overnight	£2,250,537
Total	£12,319,681

Appendix 5:

Type	
Cheltenham Festival of Cycling Expenditure	£32,750
Total Sponsorship Generated	£98,805

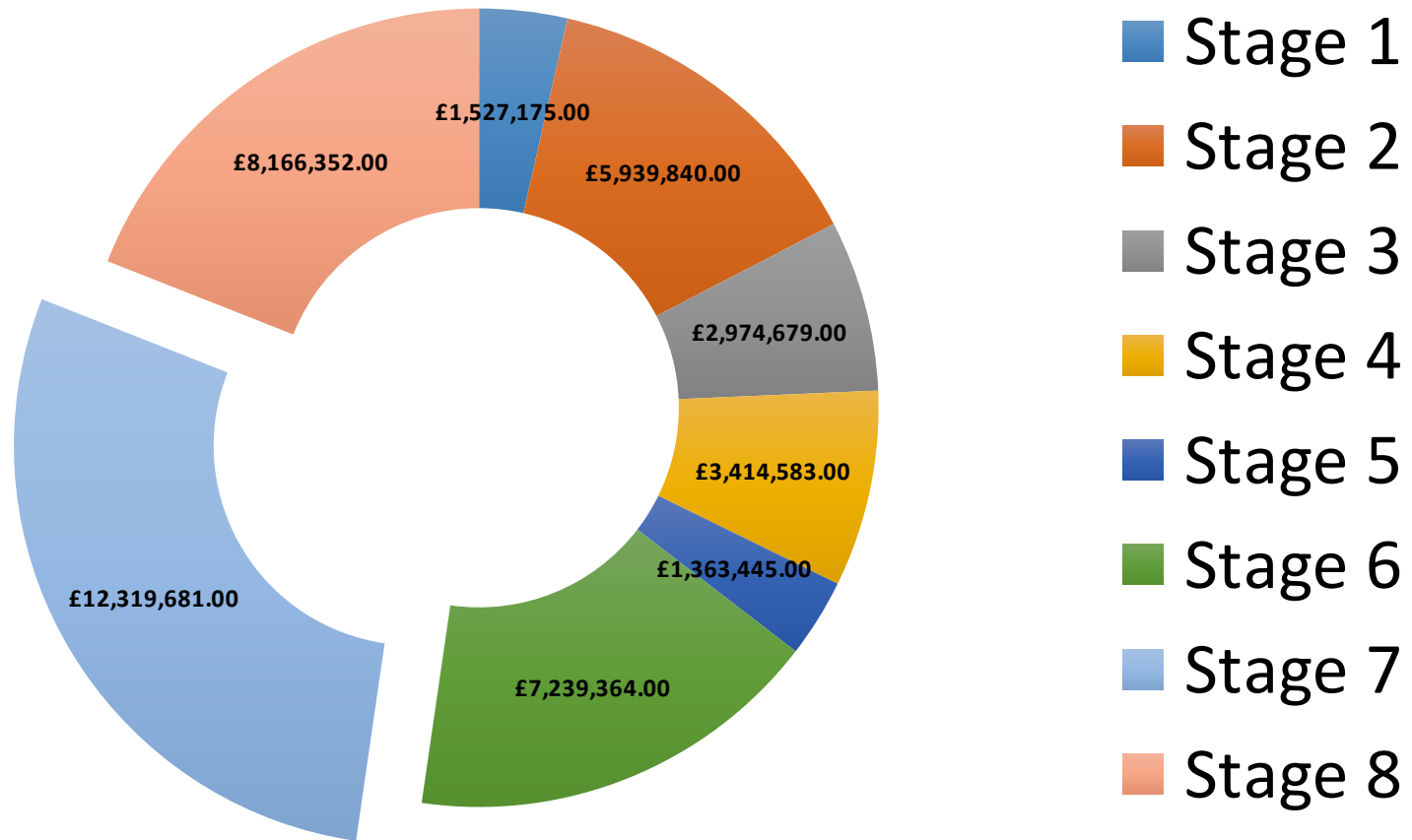
Please see the next page for visitor numbers and Expenditure comparison, across the entire OVO Energy Tour of Britain 2017

**Total visitor numbers to each stage of
The Ovo Energy Tour of Britain 2017**



- Stage 1
- Stage 2
- Stage 3
- Stage 4
- Stage 5
- Stage 6
- Stage 7
- Stage 8

Total expenditure across all stages of the Ovo Energy Tour of Britain 2017



Cheltenham Borough Council

Cabinet – 13th February 2018

Council – 19th February 2018

Treasury Management Strategy Statement and Annual Investment Strategy 2018/19

Accountable member	Finance , Rowena Hay
Accountable officer	Section 151 Officer, Paul Jones
Accountable scrutiny committee	Scrutiny
Ward(s) affected	None
Key Decision	Yes
Executive summary	In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management in the public services. To comply with the code, the Council has a responsibility to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy for council approval prior to the start of a new financial year.
Recommendations	<p>Treasury Management Panel has recommended that Cabinet/Council approve the attached Treasury Management Strategy Statement, Annual Investment Strategy for 2018/19 at Appendix 2, Lending list at Appendix 2, Table 2 page 6 and MRP policy statement for 2018/19 at Appendix D, including :</p> <ul style="list-style-type: none"> • 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 2018/19 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 2, Table 2 page 6 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 Arlingclose Limited and are prudent enough to ensure the credit quality of the Council’s investment portfolio remains high.

Financial implications	<p>Investment interest from traditional investments for 2018/19 is estimated to be £258,700 based on current forecast of future investment interest rates. The budget proposals aim to increase investment interest by a further £137,300 in 2018/19 through greater exposure to property and multi-asset funds.</p> <p>Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk, 01242 264337</p>
Legal implications	<p>As detailed in the report.</p> <p>Contact officer: Peter Lewis peter.lewis@teWKesbury.gov.uk, 01684 272695</p>
HR implications (including learning and organisational development)	<p>None arising directly from this report.</p> <p>Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	<p>As noted in Appendix 1.</p>
Corporate and community plan Implications	<p>The purpose of the strategy is to improve corporate governance, a key objective for the Council.</p>
Environmental and climate change implications	<p>None arising directly from this report.</p>

1. Background

1.1 The CIPFA Code of Practice for Treasury Management in Public Services and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement and the Prudential Indicators on an annual basis. The Treasury Management Strategy Statement also incorporates the Annual Investment Strategy as required under the CLG's Investment Guidance.

1.2 For the purposes of the Code, CIPFA has adopted the following as its definition of treasury management activities:

“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.3 The Council will create and maintain, as the basis for effective treasury management:

- A Treasury Management Strategy Statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable Treasury Management Practices (TMP's) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- 1.4 The local authorities (Capital Finance and Accounting) (England) Regulations 2003, which came into force on 1st April 2004, include provisions relevant to investments. These regulations, together with amendments subsequently made to them (S.I No.534), determine the nature of specific investments, and how they should be treated/accounted for by a local authority. Formal guidance was revised and issued by the Communities and Local Government (CLG) in 2010.
- 1.5 The Treasury Management Strategy Statement and Annual Investment Strategy at Appendix 2, state the overriding principles and objectives governing treasury management activity. As an integral part of that Statement, the Council includes the preparation of Treasury Management Practices which set out the manner in which the Council will achieve those principles and objectives prescribing how it will manage and control those activities.
- 1.6 The general policy objective of the Annual Investment Strategy is that:

‘the Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’.

The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of its treasury management activities.

- 1.7 The strategy allows sufficient flexibilities and delegations to avoid the need for a formal variation, other than in the most exceptional circumstance.

2.0 Consultation

- 2.1 The Council's external treasury advisors, Arlingclose Limited, supported the Council in the production of the strategies.
- 2.2 The strategy was approved by the Treasury Management Panel at its meeting on 15th January 2018 to be recommended to Council.

Report author	Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk 01242 264437
Appendices	Appendix 1 – Risk Assessment Appendix 2 – Treasury Management Strategy Statement & Annual Investment Strategy 2018/19 Appendix A – Arlingclose's Economic & Interest Rate Forecast Appendix B – Existing Investment & Debt Portfolio as at 31 st Dec 2017 Appendix C – The Capital Strategy for 2018-19 to 2020/21 Appendix D – Annual MRP Statement for 2018/19 Appendix E – Glossary of terms

Background information	Section 15(1)(a) of the Local Government Act 2003 Cheltenham Borough Council Treasury Management Practices
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Risk Assessment

Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	LOBO Loans - If £7m of these loans are recalled by the banks if they choose to exercise their option then we would need to have the resources on the day to repay. Alternative borrowing arrangements at today's current rates would be favourable for the Council	Section 151 Officer Paul Jones	24 th January 2015	1	2	2	Accept	If the loans are recalled the council could take out temporary borrowing which is currently much lower than the rates on these loans. Any capital receipts available could also be used to repay debt.	May 2019	Section 151 Officer Paul Jones	

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TREASURY MANAGEMENT STRATEGY 2018/19

1. Introduction

In February 2011 the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

The Authority has [borrowed and/or invested] substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

2. Economic Background

The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.1% in November 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

3. Credit outlook

High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

4. Interest rate forecast

The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

5. Balances

On 31st December 2017, the council held £64.560m of borrowing and £25m of investments. This is set out in further detail at Appendix 2. Forecast changes in these sums are shown in the balance sheet analysis in the table below.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
General Fund CFR	39,310	55,176	53,898	51,806	49,700
HRA CFR	44,750	44,750	44,750	44,750	44,750
Total CFR	84,060	99,926	98,648	96,556	94,450
Less: External borrowing	64,286	82,583	82,996	83,409	81,303

Internal borrowing	19,774	17,343	15,652	13,147	13,147
Less: Usable reserves	(30,150)	(30,150)	(30,000)	(29,000)	(28,000)
Less: Working capital	(11,348)	(11,300)	(11,300)	(11,000)	(11,000)
Investments	21,724	24,107	25,648	26,853	25,853

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £18.5m over the forecast period.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2018/19.

6. Borrowing Strategy

- 6.1** The Authority currently holds £64.56m million of loans, a small decrease on the previous year-end balance, as part of its strategy for funding previous years' capital programmes by PWLB annuity loans.. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £17m in 2018/19 in respect of the Crematorium project and further asset purchases . The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £116m for 2018/19.

The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2018/19 with a view to

keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

6.2 Sources of borrowing:

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - UK public and private sector pension funds (except [your local] Pension Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
 - include any other counterparty you intend to borrow from
- Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- operating and finance leases
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback

The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

LOBOs: The Authority holds £7m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate

or to repay the loan at no additional cost. £2m of these LOBOS have options during 2018/19, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

7. Investment Strategy

7.1

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has averaged £24m, and similar levels are expected to be maintained in the forthcoming year

7.2 Objectives

Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

7.3 Negative interest rates

If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested. Given the increasing risk and low returns from short-term unsecured bank investments, the Authority aims to carry on and diversify into more secure and/or higher yielding asset classes during 2018/19. This is especially the

case for the estimated £11m that is available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will represent a change in strategy over the coming year.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£7m 5 years	£7m 20 years	£7m 50 years	£5m 20 years	£5m 20 years
AA+	£7m 5 years	£7m 10 years	£5m 25 years	£4m 10 years	£5m 10 years
AA	£7m 4 years	£7m 5 years	£5m 15 years	£4m 5 years	£5m 10 years
AA-	£7m 3 years	£7m 4 years	£5m 10 years	£3m 4 years	£5m 10 years
A+	£7m 2 years	£7m 3 years	£5m 5 years	£3m 3 years	£5m 5 years
A	£7m 13 months	£7m 2 years	£5m 5 years	£3m 2 years	£3m 5 years
A-	£7m 6 months	£7m 13 months	£5m 5 years	£2m 13 months	£3m 3 years
None	£2m 6 months	£2m 6 months	n/a	n/a	n/a
Pooled funds	£3m per fund				

7.4 Credit rating

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment as part of a diversified pool in order to spread the risk widely.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain the likelihood of receiving government support if needed.

Pooled funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Operational bank accounts

The Council banks with Lloyds (Lloyds Banking Group). On adoption of this Strategy, it will meet the minimum credit criteria of A- (or equivalent) long term. It is the Council's intention that even if the credit rating of Lloyds Bank falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Policy investments

Over the years the Authority has provided cash-flow cover for a number of third-party organisations linked to the Authority. The following limits are set for 2018/19:-

- | | |
|-------------------------------|-------------------------------|
| • Cheltenham Festivals - | £100k up to one year duration |
| • The Glos Everyman Theatre - | £100k up to one year duration |
| • Ubico Limited | £500k up to one year duration |
| • Cheltenham Trust - | £100k up to one year duration |
| • Publica Group - | £100k up to one year duration |
| • Cheltenham Borough Homes - | £7m Non-specified duration |
| • Cheltenham Borough Homes - | £500k up to one year |
| • Glos Airport Limited - | £1.75m Non-specified duration |

Renewable Energy investments

Over recent years significant investments from Local Authorities in the Renewable Energy markets has occurred by way of investing in an energy bond. Currently the council has approved the use of Corporate Bonds and has used them on a regular basis but only for a maximum of two years previously. To be able to potentially invest in Green Renewable energy recommendation was made following consultation with members of the Treasury Management Panel on the 5th June 2017 and approved by Council on 24th July 2017 that up to £2m in relation to Green Investment bonds can be invested up to 5 years.

7.5 Risk assessment and credit ratings

Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be,
and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the

outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

7.6 Other information on the security of investments

The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

7.7 Specified investments

The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

7.8 Non-specified investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	Cash limit
Total long-term investments	£15m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£10m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£10m

7.9 Investment limits

The Authority's revenue reserves available to cover investment losses are forecast to be £30.15 million on 31st March 2018. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £7 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£7m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£7m per group
Any group of pooled funds under the same	£5m per manager

management	
Foreign countries	£4m per country
Registered providers	£5m in total
Unsecured investments with building societies	£5m in total
Loans to unrated corporates – Renewable Energy	£5m in total
Money Market Funds	£10m in total

7.10 Liquidity management

The Authority uses purpose-built cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

8. Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes. Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

9. Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

9.1 Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£10m	£10m	£10m

10. Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

10.1 Policy on the use of financial derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

10.2 Policy on apportioning interest to the HRA

On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each year and interest

transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

10.3 Investment training

The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Officers regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

10.4 Investment advisers

The Authority recently appointed Arlingclose Limited as treasury management advisers for three years plus the option for a further two years after a joint tender with Gloucestershire County Council, South Gloucestershire Council and the Forest of Dean District Council. The Authority receives specific advice on investment, debt and capital finance issues.

10.5 Investment of money borrowed in advance of need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £116m. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

10.6 Financial Implications

The budget for investment income in 2018/19 is £258.7k, based on an average investment portfolio of £21.5 million at an interest rate of 1.20%. The budget for debt interest paid in 2018/19 is £2.42 million, based on an average debt portfolio of £65.52 million at an average interest rate of 3.75%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2017

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Appendix B – Existing Investment & Debt Portfolio Position

	31.12.17 Actual Portfolio £m	% Rate
External borrowing:		
Public Works Loan Board	48.660	3.67
Market Loans	15.900	4.00
Total external borrowing	64.560	3.75
Treasury Investments:		
Banks & Building Societies	17.463	0.70
Government (Incl. LA's)	1.000	1.00
Money Market Funds	2.940	0.38
Other Pooled Funds	3.00	4.6
Total treasury investments	24.403	0.73
Net Debt	40.157	

APPENDIX C - THE CAPITAL STRATEGY 2018/19 – 2020/21

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2016/17 Actual £000	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
General Fund	2,224	29,364	23,233	1,708	1,199
HRA	11,255	10,081	10,980	8,170	9,325
Total	13,479	39,445	34,213	9,878	10,524

Other long term liabilities: The above financing need excludes other long term liabilities, such as leasing arrangements which already include borrowing instruments. The authority has no finance leasing arrangements at present.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	2016/17 Actual £000	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Total	13,479	39,445	34,213	9,878	10,524
Financed by:					
Capital receipts	3,941	8,738	3,107	1,503	1,389
Capital grants	434	2,332	21,500	500	500
Capital reserves	7,077	5,883	4,761	4,844	4,915
3 rd Party Contributions	781	1,181	350	350	350
Revenue	1,246	1,918	4,082	2,268	3,370
Borrowing need for the year	0	19,393	413	413	0

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes

The Council is asked to approve the CFR projections below:

£000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital Financing Requirement					
Total CFR	84,060	99,921	98,562	99,491	95,586
Movement in CFR	(1,356)	15,861	(1,359)	929	(3,905)

Movement in CFR represented by					
Net financing need for the year (above)	13,479	39,445	34,213	9,878	10,524
Less MRP/VRP and other financing movements	(14,835)	(23,584)	(35,572)	(8,949)	(14,429)
Movement in CFR	(1,356)	15,861	(1,359)	929	(3,905)

2.3 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.4 Ratio of financing costs to net revenue stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. It would not be prudent for borrowing costs to be a significant proportion of net revenue either now or in the future. By estimating the ratio for at least the next three years the trend in the cost of capital (borrowing costs net of interest and investment income) as a proportion of revenue income can be seen.

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
General Fund	3.78%	3.83%	6.06%	5.66%	5.61%
HRA	7.92%	8.07%	8.12%	8.21%	8.00%
Total	6.26%	6.36%	7.25%	7.12%	6.99%

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve

both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
External Debt					
Debt at 1 April	65,474	65,035	81,047	80,493	79,923
Expected change in Debt	(561)	16,012	(554)	(570)	(585)
Actual debt at 31 March	65,035	81,047	80,493	79,923	79,338
The Capital Financing Requirement	84,060	99,921	98,562	99,491	95,586
Under / (over) borrowing	19,025	18,874	18,069	19,568	14,058

Total investments at 31 March					
Investments	22,409	26,015	25,945	25,945	24,945
Investment change	1,867	3,606	(70)	0	(1,000)

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within set limits. One of these is that the Council needs to ensure that its total debt, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary: This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £'000	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Borrowing	112,000	111,000	125,000	122,000

The authorised limit for external debt: A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Authorised Limit £'000	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Borrowing	122,000	121,000	135,000	132,000

Appendix D - Annual MRP Statement

MRP Policy for 2018/19

Background:

1. For many years local authorities have been required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account is referred to as the Minimum Revenue Provision (MRP). In practice MRP represents the financing of capital expenditure from the Revenue Account that was initially funded by borrowing.
2. In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31st March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations required a local authority to determine each financial year an amount of MRP which it considers to be 'prudent'. Linked to this new regulation, the Department of Communities and Local Government (CLG) produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.
3. The CLG Guidance recommends that, before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by Full Council. If it is ever proposed to vary the original statement for the current year, a revised statement should be put to the council at that time.
4. The broad aim of the Policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits. In the case of borrowing supported by Revenue Support Grant ('Supported Borrowing'), the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant. MRP is not required to be charged to the Housing Revenue Account. Where a local authority's overall underlying need to borrow for capital purposes, known as the Capital Financing Requirement (CFR), is nil or a negative amount there is no requirement to charge MRP.

MRP Options:

5. Four options for prudent MRP provision are set out in the CLG Guidance. Details of each are set out below with a summary set out in Table 1 below:

Option 1 – Regulatory Method:

6. This method replicates the position that would have existed under the previous regulatory environment. MRP is charged at 4% of the Authority's underlying need to borrow for capital purposes, the Capital Financing Requirement (CFR). The formula includes an item known as "Adjustment A" which was intended to achieve neutrality between the CFR and the former Credit Ceiling, used to calculate MRP prior to the introduction of the Prudential System on 1st April 2004. The formula also took into account any reductions relating to the commutation of capital debt made by central government.
7. The latest CLG guidance (effective from 1 April 2012) states that authorities **may** continue to use this method for capital expenditure incurred before 1 April 2008 and supported borrowing, allowing authorities to modify the method if it produces an 'anomalous and disadvantageous result'. The annual General Fund MRP charge under this method is £236,847.
8. This method (which is based on a 4% reducing balance) was used by the council up until 2015/16 for pre 1 April 2008 and supported borrowing. Under this method however, although the MRP charge reduces each year, the borrowing is never entirely paid off. Consequently, from 2016/17, the charge has been based on repaying the debt on a 'straight line' (or equal annual instalment) basis over a 35 year period. This has the advantage of a constant charge which fully repays the debt, which is more prudent.

Option 2 – CFR Method:

10. This method simplifies the calculation of MRP by basing the charge solely on the authority's CFR but excludes the technical adjustments included in Option 1. The annual MRP charge is set at 4% of the non-housing CFR at the end of the preceding financial year.
11. The General Fund MRP charge for this method is nil for 2017/18 and 2018/19.

Option 3 – Asset Life Method:

12. Under this method MRP is determined by the life of the asset for which the borrowing is undertaken. This can be calculated by either of the following methods:
 - (a) Equal Instalments: where the principal repayment made is the same in each year, or
 - (b) Annuity: where the principal repayments increase over the life of the asset.

The annuity method has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

13. MRP commences in the financial year following that in which the expenditure is incurred or, in the year following that in which the relevant asset becomes operational. This enables an MRP “holiday” to be taken in relation to assets which take more than one year to be completed before they become operational.
14. The estimated life of the asset will be determined in the year that MRP commences and will not be subsequently revised. However, additional repayments can be made in any year which will reduce the level of payments in subsequent years.
15. If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure, where this would exceed 50 years.
16. In instances where central government permits revenue expenditure to be capitalised, the Statutory Guidance sets out the number of years over which the charge to revenue must be made. The maximum useful life for expenditure capitalised by virtue of a direction under s16(2)(b) is 20 years.
17. MRP in respect Finance Leases brought onto the Balance Sheet falls under Option 3.
18. The General Fund MRP charge using this method is £889,174 for 2017/18 and currently an estimated £1,291,885 for 2018/19.

Option 4 - Depreciation Method:

19. The depreciation method is similar to that under Option 3 but MRP is equal to the depreciation provision required in accordance with proper accounting practices to be charged to the Income and Expenditure account.
20. The General Fund MRP charge for this method is nil for 2017/18 and 2018/19.

Conditions of Use:

21. The current CLG Guidance puts the following conditions on the use of the four options:

Options 1 and 2 can be used on all capital expenditure incurred before 1st April 2008 and on Supported Capital Expenditure on or after that date.

Options 3 and 4 are considered prudent options for Unsupported Capital Expenditure on or after 1st April 2008. These options can also be used for Supported Capital Expenditure whenever incurred.

MRP Policy for 2018/19:

22. It is proposed that the council continues to adopt
- the modified Option 1 – repayment over 35 years on a straight line basis - for borrowing incurred before 1 April 2008, which is Supported Borrowing
 - Option 3 for borrowing after 1 April 2008 and Unsupported Borrowing. For Option 3, the annuity method for calculating MRP will be used when appropriate as it has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

Repayment of debt relating to capital loans made:

23. In recent years the council has made a number of capital loans to Gloucestershire Airport, The Everyman Theatre and Cheltenham Borough Homes (CBH) funded from prudential borrowing. Until 2016/17 the council was setting aside MRP to repay this debt over the life of the loans (equivalent to the estimated life of the capital assets) using option 3's annuity method, as permitted by the CLG guidance. The annual repayments from the borrowers (which match the MRP) must be treated as capital receipts, so were used to fund the capital programme in lieu of revenue funding. In this way the impact of these loans on the revenue account was neutral, since the additional MRP was matched by an equivalent reduction in the revenue funding for the capital programme.
24. This policy, although currently neutral on the revenue account, was however constraining the council's ability to make further capital loans should it wish, since this would increase the MRP further, whilst generating more capital receipts than required to fund the capital programme. The capital finance regulations allow the council to use capital receipts to 'repay the principal of any amount borrowed'. Therefore from 2017/18, to replace MRP provision for repaying the debt on capital loans an equivalent amount was set aside from usable capital receipts, equal to the annual repayments of principal by the borrowers. This reduces the capital receipts available to fund the capital programme, but also reduces MRP by an equivalent amount. The borrowers are contracted to fully repay the loans over their lives in annual instalments, so all of the debt will be repaid. The amount of debt to be repaid by this method in 2018/19 is approximately £243,000.

Appendix E**GLOSSARY OF TERMS****Bank Rate**

The rate of interest set by the Bank of England as a benchmark rate for British banks.

Bonds

A long-term debt security issued by a company, a financial institution, a local authority, national government or its affiliated agencies. It represents an undertaking to repay the holder the fixed amount of the principal on the maturity date plus a specified rate of interest payable either on a regular basis during the bond's life (coupon) or at maturity.

Borrowing

Loans taken out by the authority to pay for capital expenditure or for the prudent management of the Council's financial affairs which are repayable with interest.

Capital Expenditure

Capital expenditure pays for improvements to existing and new assets used in the delivery of Council services as well as other items determined by Regulation. Capital resources are scarce, costly and also have long term revenue implications over many years and even generations where capital expenditure is funded by borrowing. Hence the requirement of the Prudential Code to ensure what is charged as Capital Expenditure is Prudent, Sustainable and Affordable. The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 as amended. Statute relies on the accounting measurement of cost in International Accounting Standard (IAS) 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capitals spend, are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

Capital Financing Requirement (CFR)

An authority's underlying need to borrow for a capital purpose.

Capital Market

A market for securities (debt or equity), where companies and governments can raise long-term funds (periods greater than one year). The raising of short-term funds takes place on other markets (e.g. the money market).

Capital Programme

The Capital Programme sets out the Council's capital expenditure plans for the forthcoming financial year as well as for the medium term. It is approved annually at Council and identifies the estimated cost of those schemes, their projected phasing over financial years as well as the method of funding such expenditure.

Certificates of Deposits (CDs)

A certificate issued for deposits made at a deposit-taking institution (generally a bank). The bank agrees to pay a fixed interest rate for the specified period of time, and repays the principal at maturity. CDs can be purchased directly from the banking institution or through a securities broker. An active interbank secondary market exists to buy and sell CDs.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the professional body for people in public finance. As a specialised public services body, they provide information, guidance, and determine accounting standards and reporting standards to be followed by Local Government.

Collective Investment Scheme Structures

Schemes whereby monies from a number of investors are pooled and invested as one portfolio in accordance with pre-determined objectives.

Commercial Paper

A relatively low risk, short-term and unsecured promissory note traded on money markets issued by companies or other entities to finance their short-term cash requirements.

Corporate Bonds

Bonds that are issued by a company or other non-government issuers. They represent a form of corporate debt finance and are an alternative means of raising new capital other than equity finance or bank lending.

Counterparty

One of the parties involved in a financial transaction with which the Council may place investments.

Counterparty / Credit Risk

Risk that a counterparty fails to meet its contractual obligations to the Council to repay sums invested.

Credit Criteria

The parameters used as a starting point in considering with whom the Council may place investments, aimed at ensuring the security of the sums invested.

Credit Default Swaps

A financial transaction which the buyer transfers the credit risk related to a debt security to the seller, who receives a series of fees for assuming this risk. The levels of fees reflect the perceived level of risk.

Credit Rating

A credit rating assesses the credit worthiness of an individual, corporation, or even a country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the subject being able to pay back a loan. Ratings usually consist of a long-term, short-term, viability and support indicators. The Fitch credit rating of F1 used by the Council is designated as “Highest Credit quality” and indicates the strongest capacity for timely payment of financial commitments.

Debt Management Account Deposit Facility (DMADF)

The Debt Management Office provides this service as part of its cash management operations and of a wider series of measures designed to improve local and central government’s investment framework and cash management. The key objective of the DMADF is to provide users with a flexible and secure facility to supplement their existing range of investment options while saving interest costs for central government.

Debt Restructuring

Debt restructuring is a process that allows an organisation to reduce, renegotiate and undertake replacement debt.

Diversification of Investments

The process of creating a portfolio of different types of financial instruments with regard to type, price, risk issuer, location, maturity, etc. in order to reduce the overall risk of the portfolio as a whole.

Duration (Maturity)

The length of time between the issue of a security and the date on which it becomes payable.

External Borrowing

Money borrowed from outside of the Council.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial liabilities are borrowing and financial guarantees. Typical financial assets include bank deposits, amounts owed by customers, loans receivable and investments.

Fitch/Moody’s/Standard & Poors Credit Ratings

Commercial organisations providing an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. The opinion is usually provided in the form of a credit rating.

Fixed Rate

An interest rate that does not change over the life of a loan or other form of credit.

Floating Rate Notes

A money market security paying a floating or variable interest rate, which may incorporate a minimum or floor.

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Housing Revenue Account (HRA)

The HRA is an account of expenditure and income that every local authority housing department must keep in accordance with the Local Government & Housing Act 1989. The account is kept separate or ring fenced from other Council activities. Income is primarily generated by the rents and service charges paid by tenants, while expenditure is on the management and maintenance of the housing stock, and capital financing charges on the HRA's outstanding loan debt.

Interest Rate Risk

Risk that fluctuations in interest rates could impose extra costs against which the Council has failed to protect itself adequately.

Internal Borrowing

Money borrowed from within the Council, sourced from temporary internal cash balances.

Investments

The purchase of financial assets in order to receive income and/or make capital gain at a future time, however with the prime concern being security of the initial sum invested.

Lender Option Borrower Option Loans (LOBOs)

Loans to the Council where the lender can request a change in the rate of interest payable by the Council at pre-defined dates and intervals. The council at this point has the option to repay the loan.

Liquidity

The ability of the Council to meet its financial obligations as they fall due.

Market Loans

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

Minimum Revenue Provision (MRP)

This is the amount which must be charged to the authority's revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities. The prudent amount is determined in accordance with guidance issued by WG. This has the effect of reducing the Capital Financing Requirement (CFR).

Money Market

The market for short-term securities or investments, such as certificates of deposit, commercial paper or treasury bills, with maturities of up to one year.

Money Market Funds

An investment fund which pools the investments of numerous depositors, spreading those investments over a number of different financial instruments and counterparties. Funds with a constant Net Asset Value (NAV) are those where any sum invested is likely to be the same on maturity. Funds with a variable Net Asset Value (NAV) are those where the sum on maturity could be higher or lower due to movements in the value of the underlying investments.

Net Asset Value (NAV)

The market value of an investment fund's portfolio of securities as measured by the price at which an investor will sell a fund's shares or units.

Pooling

The process whereby investments or loans are held corporately rather than for specific projects or parts of the Council, with recharges to those areas for their share of the relevant income and expenditure using an agreed methodology, where such a recharge is required to be made.

Pooled Funds

Investments into bond, equity and property funds offer enhanced returns over the longer term, which are managed by external fund managers with the necessary expertise and skills. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments.

Prudential Code for Capital Finance

The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

Public Works Loans Board (PWLb)

The Public Works Loans Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Refinancing Risk

Risk that maturing borrowing or other financing of capital projects cannot be renewed on terms that reflect existing assumptions and that the Council will suffer extra costs as a result.

Regulatory Risk

Risk that actions by the Council or by any person outside of it are in breach of legal powers or regulatory requirements resulting in losses to the Council, or the imposition of extra costs.

Security

Protecting investments from the risk of significant loss, either from a fall in value or from default of a counterparty.

Sovereign Credit Ratings

The credit rating of a country. It indicates the risk level of the investing environment of a country, taking into account political risk and other factors.

Sterling

The monetary unit of the United Kingdom (the British pound).

Term Deposits

A term deposit is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time.

Treasury Management

Treasury management activities are the management of an organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Treasury Bills

Debt securities issued by a government with a short-term maturity of up to 6 months.

UK Government Gilts

Fixed-interest debt securities issued or secured by the British Government. Gilts are always denominated in sterling though the Government occasionally also issues instruments in other currencies in the Eurobond market or elsewhere.

Variable Rate

An interest rate that changes in line with market rates.

Yield

The annual rate of return paid out on an investment, expressed as a percentage of the current market price of the relevant investment.

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