CHELTENHAM
BOROUGH COUNCIL

Notice of a meeting of Council

Monday, 19 February 2018
2.30 pm
Council Chamber - Municipal Offices

Membership	
Councillors:	Klara Sudbury (Chairman), Bernard Fisher (Vice-Chair), Matt Babbage, Paul Baker, Garth Barnes, Ian Bickerton, Nigel Britter, Flo Clucas, Chris Coleman, Mike Collins, Wendy Flynn, Tim Harman, Steve Harvey, Colin Hay, Rowena Hay, Alex Hegenbarth, Karl Hobley, Sandra Holliday, Peter Jeffries, Steve Jordan, Adam Lillywhite, Chris Mason, Helena McCloskey, Paul McCloskey, Andrew McKinlay, Chris Nelson, Tony Oliver, Dennis Parsons, John Payne, Chris Ryder, Louis Savage, Diggory Seacome, Malcolm Stennett, Pat Thornton, Jon Walklett, Simon Wheeler, Roger Whyborn, Max Wilkinson, Suzanne Williams and David Willingham

Agenda

1.	**APOLOGIES**	
2.	**DECLARATIONS OF INTEREST**	
3.	**MINUTES OF THE LAST MEETING** Minutes of the meeting held on 23 January 2018	(Pages 3 - 8)
4.	**COMMUNICATIONS BY THE MAYOR**	
5.	**COMMUNICATIONS BY THE LEADER OF THE COUNCIL**	
6.	**TO RECEIVE PETITIONS**	
7.	**PUBLIC QUESTIONS** These must be received no later than 12 noon on Tuesday 13 February 2018	(Pages 9 - 12)
8.	**MEMBER QUESTIONS** These must be received no later than 12 noon on Tuesday 13 February 2018	(Pages 13 - 16)
9.	**EXECUTIVE BOARD RESTRUCTURE** Report of the Chief Executive	(Pages 17 - 34)
10.	**FINAL GENERAL FUND REVENUE AND CAPITAL BUDGET**	(Pages

	PROPOSALS 2018/19 (INCLUDING SECTION 25) Report of the Cabinet Member Finance	35 - 94)
11.	**HOUSING REVENUE ACCOUNT - REVISED FORECAST 2017/18 AND BUDGET PROPOSALS 2018/19** Report of the Cabinet Member Finance	(Pages 95 - 120)
12.	**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2018/19** Report of the Cabinet Member Finance	(Pages 121 - 158)
13.	**COUNCIL TAX RESOLUTION-REPORT TO FOLLOW** Report of the Cabinet Member Finance	(Pages 159 - 166)
14.	**APPOINTMENT OF MAYOR ELECT AND DEPUTY MAYOR ELECT** Report of the Chief Executive	(Pages 167 - 174)
15.	**NOTICES OF MOTION** There were no Motions.	
16.	**ANY OTHER ITEM THE MAYOR DETERMINES AS URGENT AND WHICH REQUIRES A DECISION**	

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

Pat Pratley
Chief Executive

Council

Tuesday, 23rd January, 2018
6.00 - 6.15 pm

Attendees	
Councillors:	Bernard Fisher (Vice-Chair), Matt Babbage, Paul Baker, Garth Barnes, Nigel Britter, Flo Clucas, Wendy Flynn, Tim Harman, Colin Hay, Rowena Hay, Alex Hegenbarth, Peter Jeffries, Steve Jordan, Adam Lillywhite, Chris Mason, Helena McCloskey, Paul McCloskey, Andrew McKinlay, Chris Nelson, Tony Oliver, John Payne, Louis Savage, Diggory Seacome, Malcolm Stennett, Pat Thornton, Jon Walklett, Roger Whyborn, Max Wilkinson, Suzanne Williams and David Willingham

Minutes

1. APOLOGIES

Apologies having been received from the Mayor, Councillor Sudbury, the Deputy Mayor, Councillor Fisher took the chair.

Apologies had been received from Councillors Coleman, Collins, Harvey, Hobley, Holliday, Parsons, Ryder and Wheeler.

2. DECLARATIONS OF INTEREST

The following Members were assumed to have declared declared a personal interest in Agenda Item 9 (Community Governance Review) as they had declared a personal interest at the last Council meeting when this item had been on the agenda.

- Councillors Payne and Stennett as Parish Councillors for Prestbury
- Councillor Nelson as a Parish Councillor for Leckhampton with Warden Hill
- Councillors Mason and Whyborn as Parish Councillors for Up Hatherley
- Councillor H McCloskey as a Parish Councillor for Charlton Kings.

3. MINUTES OF THE LAST MEETING

Councillor Jordan proposed the following amendments to the minutes of 11 December 2018 which had been circulated to all Members to clarify some points he had raised at the meeting:

1. Public Q5 – Add ‘ *The Leader replied’* at the start of final paragraph

2. Public Q10 – final paragraph should refer to *Knight Frank* report rather than Frank Knight.

3. Agenda item 9 JCS para2 – should refer to the plan being prepared over *'nine'* years and not '*six*' as stated in the minutes.

4. Agenda Item 15 Community Governance
    - Delete the third bullet under 'the leader outlines' section and replace by "*There was overall support that the boundary of Leckhampton with Warden Hill Parish Council be altered to include the additional area. The complication with this was that there were 4 different areas advertised and 1 one had voted narrowly against joining but this would leave it isolated so the proposal was to include it. After the review had finished a request came forward to include an extra field and a consultation process would be held on that area with a review on 23 January*.

      Add an additional bullet point
    - *For Up Hatherley Parish Council one area voted clearly in favour while the other was against. The first area included part of the current Park Ward and the working group had proposed not to include this small area in the parish as it would complicate the election process and would need a separate parish councillor.* Subsequent *analysis has shown that 78% of those who voted in this area were favour of changing the boundary which also had the support of the Parish Council. The Leader was expecting an amendment to now include the area which he was happy to support*.

    - Page 43 para 3 amend to "*the Leader confirmed that they had been notified about the process and the likely Council Tax but information about polling stations had only been available subsequently."*

RESOLVED that the minutes of the last meeting held on 11 December 2017 as amended be agreed and signed as an accurate record.

4. COMMUNICATIONS BY THE MAYOR

The Deputy Mayor expressed his sadness at the death of Honorary Alderman Gil Wakeley who had passed away last week and he invited members to join him in a minute's silence. Gil had been a councillor from 1979 – 1992 and Mayor in the 1987/88 Municipal Year and an Honorary Alderman since 1992.

5. COMMUNICATIONS BY THE LEADER OF THE COUNCIL

The Leader advised that the council had received a very interesting proposal regarding future use of the quadrangle and all Members were invited to attend the drop in session tomorrow lunchtime at 1 pm to learn more about the plans and there would be a public session from 3 pm.

The Leader advised that following on from the A&E motion at the last Council meeting he had received two responses to his letters which he had circulated and he had now received a further letter from Alex Chalk MP which he would circulate to all Members.

6. TO RECEIVE PETITIONS

None received.

7. COMMUNITY GOVERNANCE REVIEW

The Leader of the Council, Councillor Jordan, introduced the report which had been circulated with the agenda. He reminded Members that on 11 December 2017, Council had agreed the principle of altering the boundaries of four parish council areas namely Charlton Kings, Leckhampton, Up Hatherley and Prestbury. Council had also agreed the consequential parish warding, polling districts and representation and resolved that that additional consultation should be progressed as follows:

- That householders residing in the properties originally written to are informed of the outcome of the consultation and the intentions of Council;
- That additional consultation is undertaken regarding the request to further extend the boundary of Leckhampton with Warden Hill Parish Council to part of Leckhampton Hill.

The report summarised the results of the consultation and brought back the necessary Reorganisation Orders to Council for approval. It was noted that in paragraph 5.1 the third entry in the table should read “precept for newly parished areas’ and not ‘precept for new parish council’ as stated in the report.

The Leader referred to the four objections that have been received. One objection had been received from a resident who had been included in error as they were not within the proposed parish area and they had been sent an apology. Details of the remaining three objections had been circulated to Members in the chamber.

One general objection had been regarding the short timescales and whilst agreeing that the timescale for this latest consultation had been short the Leader advised that this had not been the first consultation and the timescale was necessary for Council Tax setting.

The second objection with reference to Up Hatherley had expressed a cynical view about the process and did not agree with the views of their Parish Council. The Leader advised that this was a matter for the resident to take up with the Parish Council and as the objector did not request a response he had nothing more to add.

The third objection with reference to Leckhampton objected to the timing of the consultation over the Christmas period and that the current results indicated only a small number of votes in favour from the small proportion of households who had responded. The Leader acknowledged the timescales had been short but there had been no objections to including the extra area.

The Leader thanked everyone involved in this long and complex process and asked for Members to support the recommendations.

Councillor Harman as Leader of the Conservative group indicated full support from his group for the recommendations.

RESOLVED (unanimously)

That the following Reorganisation Orders be agreed:

- **The Cheltenham Borough Council (Reorganisation of Community Governance) (Charlton Kings Parish) Order 2018 (appendix 2);**
- **The Cheltenham Borough Council (Reorganisation of Community Governance) (Leckhampton with Warden Hill Parish) Order 2018 (appendix 3);**
- **The Cheltenham Borough Council (Reorganisation of Community Governance) (Up Hatherley Parish) Order 2018 (appendix 4);**
- **The Cheltenham Borough Council (Reorganisation of Community Governance) (Prestbury Parish) Order 2018 (appendix 5).**

8. PUBLIC QUESTIONS

None received.

9. MEMBER QUESTIONS

None received.

10. ANY OTHER ITEM THE MAYOR DETERMINES AS URGENT AND WHICH REQUIRES A DECISION

There was no urgent business.

11. LOCAL GOVERNMENT ACT 1972 -EXEMPT INFORMATION

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)

12. EXEMPT MINUTES
Resolved that the exempt minutes of the last meeting held on 11 December 2017 be agreed and signed as an accurate record.

Chairman

Council

19 February 2018

Public Questions (8)

1.	**Question from Ben Stone to Cabinet Member Clean and Green Environment, Councillor Chris Coleman**
	Residents in All Saints Villas Road have recently been experiencing problems with the Council's Garden Waste collection service and have reported a number of missed collections. Residents have been told that this is due to issues with getting the collection vehicle down their narrow street. Given residents have to pay for this scheme, this is clearly very poor service. How will the Council address the specific problems on All Saints Villas Road and numerous other town centre streets which are notoriously narrow?
	Response from Cabinet Member
	Add response here
2.	**Question from Tess Beck to Cabinet Member Development and Safety, Councillor Andrew McKinlay (intends to be present)**
	Can it be inferred from the decision taken by the Licensing Committee on 2/10/2017 that they agreed with the statement made on behalf of the Two Pigs Management that any unaccompanied women are likely to be prostitutes, and should therefore be refused entry to a pub? Does the council agree with this and if so how is this compatible with the council's public sector equality duty?
	Response from Cabinet Member
	Add response here
3.	**Question from Lisa Belshaw to Cabinet Member Development and Safety, Councillor Andrew McKinlay on behalf of the Cheltenham Labour Party Women's Group (intends to be present)**
	What are the economic and social benefits for Cheltenham of sexual entertainment clubs during race week? Given previous objections to the licenses what would result in them being refused?
	Response from
	Add response here
4.	**Question from Laura Kennedy to Cabinet Member Development and Safety, Councillor Andrew McKinlay**
	Are there going to be adequately resourced gull prevention measures and treatments in key areas of Cheltenham, including in the Tivoli area?
	Response from Cabinet Member
	Add response here
5.	**Question from Mary Nelson to Cabinet Member Development and Safety, Councillor Andrew McKinlay (intends to be present)**
	In CBC's **2017 Air Quality Annual Status Report** dated **June 2017**, it states the

	following: ***"the Council is now considering revoking the current borough-wide AQMA in favour of a much smaller linear route across the north of the town centre, which has consistently given poor air quality results."*** ***The new AQMA would:*** ***• Illustrate to visitors, residents, and prospective purchasers of properties within Cheltenham that the whole of the Borough is NOT an area of poor air quality*** ***• Allow more concerted and targeted action, by the District and County Councils and their partners, to address the known areas of poor air quality.*** ***The proposed new AQMA is under consideration and will be subject to the necessary procedures before it can go to Council for approval.*** **Question:** Given: 1. CBC's published intentions to make the above **major** changes to its Air Quality Plan in Cheltenham and 2. the long expressed concerns by many of Cheltenham's residents of the likely increase in air pollution in residential areas from the closure of the inner ring road through Boots Corner and 3. the impact that JCS housing development will have on Cheltenham's **radial** road network, with no new ring road infrastructure being provided Why is there no Air Quality Policy in the Local Plan (just released for public consultation), and not even a single mention of the word 'Air Quality' anywhere in the text of the Plan?
	Response from
	Add response here
6.	**Question from Mary Nelson to Cabinet Member Development and Safety, Councillor Andrew McKinlay**
	In **July 2017** the government produced a report entitled "**UK plan for tackling roadside Nitrogen dioxide concentrations**", as vehicles contribute 80% of NO2 pollution at the roadside, exacerbated by the huge growth in the number of diesel vehicles over the last 10 years. This report stated that the government requires local authorities who have areas or hot spots where air pollution has exceeded acceptable limits, to set out a draft air quality plan by the end of March 2018, with a final plan in place by the end of December 2018. To assist local authorities in meeting these timescales the government made an Implementation Fund of £255 million available, with £40

	million available immediately, in addition to central government expertise. **Question:** Can you please say whether CBC has benefitted from this government Implementation Fund (and if so by how much), and whether it could have used these funds to increase the number of air pollution monitoring sites within the town to provide sufficient evidence to justify removal of the whole town AQMA, or whether CBC has utilized any of this funding to make changes to their existing Air Quality plan from a whole town AQMA to only a narrow linear route across one area of the town?
	Response from Cabinet Member
	Add response here
7.	**Question from Ken Pollock to Cabinet Member Development and Safety, Councillor Andrew McKinlay (intends to be present)**
	Sarah Clark, CBC 'team leader for environmental health', states in reply to an AQMA query that: "Our intention is to revoke the town wide AQMA subject to consultation and replace it with a smaller AQMA based on the area with the poorest air quality as evidenced by ongoing monitoring trends." [my underlining]. **Why has this long-established "intention" by CBC been kept out of the "final version" of the Cheltenham Local Plan, published yesterday, thereby evading public consultation before the scheme is *de facto* implemented (with consequent reduction of monitoring areas) ?**
	Response from Cabinet Member
	Add response here
8.	**Question from Ken Pollock to Cabinet Member Development and Safety, Councillor Andrew McKinlay**
	The **A46 (Bath to Cheltenham section)** terminates in the Cheltenham 'Inner Ring Road' loop, which thereby connects to the onward routes of **A435** (to Bishops Cleeve & Evesham), then to **B4079** (to expanding Ashchurch), to **B4632** (Winchcombe) and to the **A4019** (east-west Northern Relief Road). **How can this hub of Cheltenham's extraordinarily deficient road network be cut for general traffic, when no viable alternative corridors exist, and Cheltenham has no middle or outer 'ring roads' ?** The main alternatives, College Road and Gloucester Road, are no longer viable (nor widenable) for vital **south-north traffic** flows. The hub of a transport network cannot be glibly "dispersed" (as CTP has claimed).
	Response from Cabinet Member
	Add response here

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Council

19 February 2018

Member Questions (12)

1.	**Question from Councillor Wilkinson to the Cabinet Member Development and Safety, Councillor Andrew McKinlay**
	What assessment is being made of the impact on the housing market and on communities due to the increase in Airbnb rentals?
	Response from Cabinet Member
	Add response here
2.	**Question from Councillor Mason to the Cabinet Member Finance, Councillor Rowena Hay**
	When is the Borough Council scheduled to move into Delta House?
	Response from Cabinet Member
	Add response here
3.	**Question from Councillor Harman to the Cabinet Member Housing, Councillor Peter Jeffries**
	Gloucester City Council has recently announced a 35 per cent reduction in the number of rough sleepers. Understanding fully that this is only one part of a complex and very human issue, can the Cabinet Member confirm what progress is being made in Cheltenham on this issue
	Response from
	Add response here
4.	**Question from Councillor Walklett to the Chair of the Licensing Committee, Councillor David Willingham**
	Woody's Henrietta St car park On 12th January 2017 Licensing Committee members agreed the following: **RESOLVED THAT, no further action be taken in relation to Mr Adrian Wood t/a Woody's Fruit & Veg street trading consent and that he continue to work with officers to reduce risk.** However one of the outstanding issues (or risks) was the sighting of bicycle racks which restricted access and caused difficulty in erecting stalls. Unfortunately the bicycle racks are still in place and apart from a visit by Licensing Dept during Summer 2017 little appears to have been done to either remove or re-site them. I would ask that Licensing confirm their commitment to fulfilling the Committee members resolution with a published timeline for necessary action.
	Response from Cabinet Member
	Add response here
5.	**Question from Councillor Lillywhite to Cabinet Member Development and Safety, Councillor Andrew McKinlay**

	Please share what was learnt from the traffic experienced through the CTP works in Cheltenham over the Xmas period and outline how this information was captured and informed the decision to implement further phases?
	Response from
	Add response here
6.	**Question from Councillor Question from Councillor Lillywhite to Cabinet Member Development and Safety, Councillor Andrew McKinlay**
	The fundamentals principle of the CTP is that visitors and residents travelling by car have such a poor experience that the next time they visit, they will opt for a different mode of transport. How is data being collected to determine the ones that would rather stay in their car and visit somewhere else?
	Response from Cabinet Member
	Add response here
7.	**Question from Councillor Lillywhite to Cabinet Member Development and Safety, Councillor Andrew McKinlay**
	Please explain why the contraflow on Clarence Street and Parade has been dropped from phase 3 of the CTP and will it be attempted (on a reversible "trial" basis) in Phase 4?
	Response from Cabinet Member
	Add response here
8.	**Question from Councillor Lillywhite to Cabinet Member Development and Safety, Councillor Andrew McKinlay**
	It is now being claimed by a number of studies that the 'stop/start' nature of congested and queuing traffic emits up to four times more pollutants than when passing through at a steady speed. Can you please explain why traffic is intentionally being 'dispersed' into residential areas on longer, more congested stop/start journeys, increasing pollution where the residents are captive, as opposed to allowing it to flow more cleanly and freely past a transient, visiting, voluntary population on the present, far shorter journey through the town centre.
	Response from Cabinet Member
	Add response here
9.	**Question from Councillor Lillywhite to Cabinet Member Development and Safety, Councillor Andrew McKinlay**
	In the CBC Air Quality Annual Status Report dated June 2017, it states the following: "the Council is now considering revoking the current borough-wide AQMA in favour of a much smaller linear route across the north of the town centre, which has consistently given poor air quality results". There must be no doubt over the impact of the conscious decision made by the Liberal Democrat majority on this Council to increase the pollution from each vehicle and move it into more vulnerable residential areas on longer journeys. What is the status of this consideration and why are we decreasing instead of increasing the area of our monitoring to understand this fundamental change?
	Response from Cabinet Member
	Add response here
10.	**Question from Councillor Lillywhite to Cabinet Member Development and Safety, Councillor Andrew McKinlay**

	What steps are being taken to ensure up to date accident statistics are available without a six month delay in registering them so that decisions made on the CTP are better informed?
	Response from Cabinet Member
11.	**Question from Councillor Lillywhite to Cabinet Member Development and Safety, Councillor Andrew McKinlay**
	Why is it now necessary to signpost Evesham and Winchcombe from the town centre along a route that you are determined to close, yet when an explanation of signposting was previously requested it was claimed that traffic will 'disperse' or 'find its own way'?
	Response from Cabinet Member
	Add response here
12.	**Question from Councillor Ryder to the Cabinet Member Clean and Green Environment, Councillor Chris Coleman**
	Given the sensitive matter of the cremators being down at this present time (13/2/18) at the Crematorium, do you envisage that the two cremators will be repairable to a sufficient standard that will support our clients, the Funeral Homes over the next 15 month or so, until the New Crematorium is in use?
	Response from Cabinet Member
	Add response here

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Cheltenham Borough Council

Council – 19 February 2018

Executive Board Restructure

Accountable member	**Appointments and Remuneration Committee/Chair Councillor Rowena Hay**
Accountable officer	**Pat Pratley, Chief Executive and Head of Paid Service**
Ward(s) affected	**None directly**
Key/Significant Decision	**Yes**
Executive summary	In July 2017 Council resolved that a *"review of the senior leadership team (Phase 1) and service managers (Phase 2) be undertaken to ensure that the Council has the necessary capacity, skills, behaviours within the executive and service management organisational delivery model and budget to deliver the Council's vision".* On 7 December 2017, Appointments and Remuneration Committee (A&R C*ommittee*) considered a report outlining a proposed new structure for the Executive Board representing the first phase as endorsed by Council in July. Key to the proposals has been the need for a structure that creates the right conditions for the authority to achieve financial sustainability as well as an executive leadership team with the skills, capabilities and capacity to deliver the authority's ambitions for Cheltenham as a "place where everyone thrives". A&R Committee approved the Executive Board restructure proposals as set out in Section 9 of their December committee report for the purposes of formal consultation with those directly affected. That consultation ended on 7 January 2018. On 29 January 2018 A&R Committee received a further report setting out a full update on the formal consultation feedback received. Having carefully considered the feedback the committee approved an Executive Board structure, as shown in section 4 and Appendix 2 of this report as below; • Chief Executive • Managing Director – Place and Growth • Executive Director – Finance and Assets (full time post, post-holder seconded part-time to Forest of Dean DC as s151 Officer) • Executive Director – People and Change (new post) A&R Committee approved the key accountabilities for the Executive Directors and the transitional role of Director – Corporate Projects and these are shown at Appendix 3 to this report. A&R Committee also approved, subject to Council approving the creation of the new Executive Board structure, that the directly affected employees be appointed to the

	posts as set out in section 7 of this report. A&R Committee approved the Executive Director remuneration as being set at the existing level being salary grade 3 in accordance with the authority's existing Chief Officer salary grade structure. And finally, A&R Committee approved the establishment of a sub-committee of the Appointments and Remuneration Committee to undertake the appointment process for the new post of Executive Director – People and Change, again subject to approval of the recommendation within this report.
Recommendation	**1. In accordance with the recommendations of the Appointments and Remuneration Committee at its meeting on 29 January 2018, Council is recommended to approve the new Executive Board structure as set out in section 4 and Appendix 2 of this report.** **2. A budget of £18,000 be approved to enable the recruitment of the new Executive Director post to be funded via the Pension and Restructuring earmarked reserve.**
Financial implications	As detailed in Section 9, the cost of these proposals amount to £188,426 and can be funded via the Pension and Restructuring earmarked reserve. This cost is less than the indicative compulsory redundancy cost of £219,870, whilst also providing for much needed additional temporary resource for the period this transition period relates. These costs have been built into the 2018/19 budget proposals which are also subject to Full Council approval today. **Contact officer: Paul Jones, Chief Finance Officer** **Paul.jones@cheltenham.gov.uk, 01242 775154**
Legal implications	The appointment of the director posts as referenced in this report falls within the remit of Appointments and Remuneration Committee which has delegated to a sub-committee in respect of the vacant post. The Employment Rules must be followed which include inter alia the requirements for the sub-committee to include at least one Cabinet Member and, prior to appointing directors, to consult with the Leader and Cabinet. The Chief Executive, as Head of Paid Service, is statutorily empowered to report to Council on the Council's staffing structure. **Contact officer: Peter Lewis; Head of Law (One Legal)** **Peter.Lewis@tewkesbury.gov.uk, 01684 272012**

HR implications (including learning and organisational development)	The report details the outcome of the formal employee consultation process on the revised structure. It also states the steps needed to implement the changes. Subject to approval by Council to the recommendation contained within this report, HR will work closely with the Chief Executive and the Appointments and Remuneration sub-committee on the recruitment process to appoint the new director. **Contact officer: Julie McCarthy; Strategic HR and Client Manager (Publica)** **Julie.McCarthy@cheltenham.gov.uk; 01242 264355**
Key risks	The key risks remain as at the 7 December and 29 January Appointments and Remuneration Committee reports and as stated arise out of the SWOT analysis and are again outlined below and assessed at Appendix 1 • Achieving financial sustainability • The need to address the strategic capacity and skills in relation to service modernisation and organisational development and for a whole authority approach to be taken • Addressing the issues of some duplication of effort at Executive Board level, placing services more logically to support service modernisation especially around the customer and creating capacity to deliver key corporate projects
Corporate and community plan implications	The ability to be able to effectively deliver the authority's ambitions has been fundamental to informing this review and of particular focuses has been the authority's ambition for Cheltenham in terms of "place". The proposed Executive Board structure also addresses the need to transform and modernise how our people work and ensure that the authority is fit for purpose as a 21st century local authority and has a sustainable financial future.
Environmental and climate change implications	The proposed Place and Growth directorate will continue to make a key contribution to the authority's efforts with regard to environmental issues and climate change and will continue to do so under the proposals outlined within this report. The Finance and Assets directorate will also continue to ensure that the authority's own assets are managed in a way that pays due regard to the need to mitigate and combat climate change where this is possible and operationally and financially feasible.
Property/Asset implications	There are no operational property and asset matters arising from this report. However, the proposed Executive Board structure recognises the importance of active asset management and investment in a balanced property portfolio to the future financial sustainability of the authority.

1. Background

1.1 Council, on 24 July, approved *"a review of the senior leadership team (phase 1) and service managers (phase 2) be undertaken to ensure that the Council has the necessary capacity, skills and behaviours within the executive service management organisational delivery model and budget to deliver the Council's vision".*

1.2 The authority's current structure, first approved in 2015, responded to the impending decisions to further deepen sharing with the 2020 Partnership (now Publica) and in response to the Athey report which examined Cheltenham's role as a business location.

1.3 A number of changes have taken place since the current structure was approved and this was recognised by Council when it endorsed that a review be undertaken. The proposals outlined in here,with regard to the review of the Executive Board structure aim to put the key building blocks in place for the future success of the authority and a senior leadership team with the skills, capacity, capabilities and competencies going forward.

1.4 Critical to this review, and fundamental to informing the proposals set out, is the need for the authority to achieve financial sustainability. The authority's stated ambition as *"Cheltenham – a place where everyone thrives",* endorsed by Council in March 2017, has also been important in informing the thinking. The 7 December report to the Appointments and Remuneration Committee (A&R Committee) outlined the wide ranging priorities and key projects to deliver an ambitious agenda for Cheltenham and also that the Local Government Association described the scale of the authority's ambition as toward the more ambitious end of the district scale and up there with the county towns.

1.5 On 7 December, A&R committee approved the Executive Board restructure proposals set out in that report for the purposes of formal consultation with those directly affected. That consultation ended on 7 January 2018. On 29 January 2018 A&R Committee received a report setting out an update on the feedback received and approved a new Executive Board structure as set out in section 4 of this report with the organisational structure below the Executive Board level as shown at Appendix 2. The proposed structure recommended for Council approval today remains unchanged to that considered by A&R Committee on 7 December

1.6 Subject to Council approving the new Executive Board structure, the implications for those directly affected are as set out in the January A&R Committee report and are restated here at section 7 and are in line with this authority's restructuring process guidance. The financial implications again were outlined to the committee in the January report and again are explained in this report at section 9.

1.7 In addition, A&R Committee approved the key accountabilities for the Executive Board director roles and the Director – Corporate Projects role (Appendix 3) and also agreed to establish a sub-committee to undertake the appointment process for the new post of Executive Director – People and Change.

2. Executive board SWOT analysis

2.1 The December committee report provided an assessment of the strengths, weaknesses, opportunities and threats (SWOT) of the current Executive Board:

<u>Strengths and opportunities</u>

- A strong focus on Cheltenham as a place which is successful economically, culturally and socially
- A committed and ambitious executive team

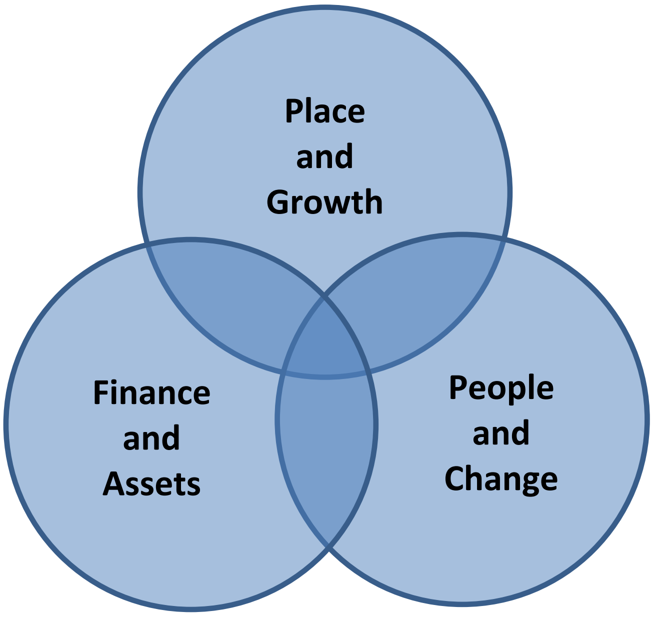
- A transformation programme within the Place and Economic Development directorate looking to modernise service delivery but without a whole authority view being taken
- Recognition that change may be difficult but to do nothing is not an option
- A history of strong and mutually beneficial partnership working with others who share the ambition for Cheltenham as a place where everyone thrives

Weaknesses and threats

- Achieving financial sustainability
- Addressing strategic capacity and skills in organisational change and service modernisation together with the risks of not taking a whole authority approach to organisational development and change
- Realigning some service groupings so they are more logically placed lessening the potential for overlap and duplication of effort at Executive Board level
- Capacity to both manage and deliver significant key corporate projects and carry out authority-wide service modernisation as well
- Making sure that the focus for growth is inclusive

3. Key building blocks

3.1 The December A&R committee report described how the output from the SWOT analysis had informed the building blocks for the Executive Board structure going forward.



3.2 **Place and Growth** – refers to “place shaping” in its widest sense; being clear on the ambitions for Cheltenham, gaining alignment and commitment from others on the scale of ambition, and having clarity of purpose, intent, capacity and willingness to deliver so that Cheltenham thrives.

Place shaping is also not just about the development of the **physical place** in a way that is sustainable, but also the **sense of place**, and the **feeling of the place.** For example, for the business community this could mean whether Cheltenham is a place that supports existing businesses and encourages new enterprises, but at the same time that Cheltenham is a place where businesses want to relocate to, and where prospective employees want to, and can afford to, live and bring up their families. In a competitive market for attracting businesses to relocate we know that as well as having the physical space to locate new businesses, or for existing businesses to expand and grow, the sense of place and whether it feels vibrant, creative, safe and welcoming all contribute to creating a rounded offer and prospectus for businesses to attract the best talent.

Growth does not just mean growing the business, visitor and cultural economies, but also refers to inclusive growth in skills, educational attainment and well-being. Central to all of this is access to good quality affordable housing, access to a good education and appropriate skills that lead to gainful employment and career opportunities, as well as a population that is healthy both physically and mentally.

3.3 **People and change** – means “people” in its widest sense, be it our **staff**, living the authority’s values, having the necessary competencies, skills, behaviours and capabilities to achieve, or our **customers,** be they residential, business or visitors, having access to services in a way that is modern, easy and convenient for them, and that customers have a positive and helpful experience.

People also means our **communities** and relies upon a strong ethos of partnership working with our communities having a voice and being able to be as self-sufficient as possible and most importantly being safe places to live. Our ability to build and maintain healthy and productive relationships across the public sector continues to be central to how we will work in the future. Creating innovative ways of working across the tiers of local government as well as with other sectors, eg, university, college, schools, business, health, police will become more important as will our ability to try to understand demand and build flexibility into how we work so that we can deploy our scarce resources as effectively as possible.

Change needs to be managed well. To do so the right capabilities and capacity must be in place, services need to be as efficient and cost effective as possible, key projects and risks associated with change must be managed well, and commissioning/re-commissioning needs to be sound in practice as well as delivery.

3.4 **Finance and assets** – There is a continuing need for sound **strategic financial planning** in the context of the continuing uncertainty in the local government finance landscape and in a context where more of the authority’s ongoing revenue will come from business rates or commercial opportunities with a potentially higher risk profile.

The relationship between how we develop, grow and utilise our own assets needs to be influenced by our ambition for place. How we use our assets and infrastructure strategically and in the long term will be important to underpin the outcomes we want to see for Cheltenham and also the wider county of Gloucestershire.

Active asset management of the authority’s asset portfolio and maximising the return from the authority’s own assets to help deliver a sustainable financial plan will be increasingly important and is a complex area. And, finally, any decisions around **commercial investment opportunities** will rely heavily upon careful and sound strategic financial advice and support.

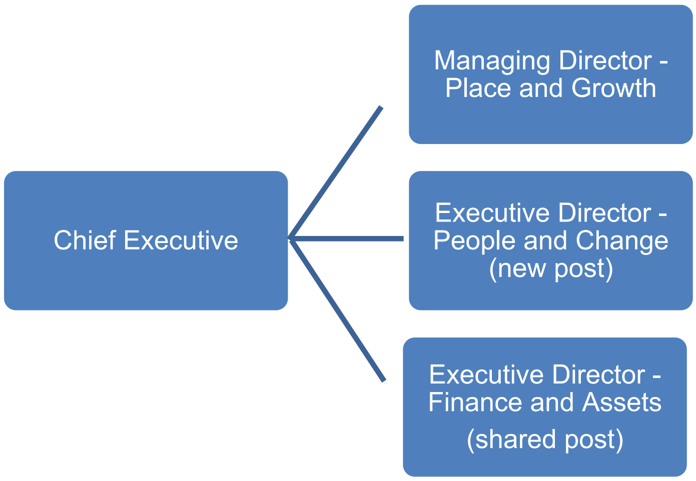
3.5 The December A&R committee report also set out the expectation as to how the Executive Board would work, through collective ownership and oversight and also through collaborative endeavour. Whilst it will be important that each member of the Executive Board has individual accountabilities and responsibilities there will also be an expectation of collaborative working. For example, recognising that in order to be financially sustainable one of the key ingredients for success will be having staff with the necessary skills to contribute to that ambition, having a clear commercial strategy, staff with a commercial mind-set, services being run as efficiently as possible, and a culture where entrepreneurship is encouraged.

3.6 The proposed Executive Board structure addresses the key issues through:

- Removal of duplication and clarity on roles and accountabilities
- Re-balancing the structure through an Executive Board team with an internal as well as an external focus
- Addressing the gaps in strategic capacity and skills in driving service modernisation and organisational change
- Creating capacity at the executive team level for a transitional period

4. Proposed executive board structure

4.1 The December A&R committee approved the Executive Board structure for formal consultation with those directly affected as shown below. Appendix 2 shows in more detail the individual areas of accountability.



4.2 The December proposals also included for the deletion of the post of Director of Resources and Corporate Projects, and the creation of a new, part-time transitional post of Director – Corporate Projects with that post reporting to the Executive Director – Finance and Assets. With regard to the Director of Resources and Corporate Projects the proposal is, as reported to the A&R committee and as set out in section 9 of this report, that the post-holder would flexibly retire.

5. Responses to the formal consultation

5.1 The formal consultation period ended on 7 January and the employee feedback was reported to the January meeting of the A&R committee and was considered by Members in arriving at their decisions. The main issues raised through the consultation fell into 3 categories;

- Whether the proposed size and scope of the director job roles were equitable in terms of job grade and salary
- Having sufficient capacity to manage the transition period before the new Executive Director – People and Change commenced in post
- Whether the role of deputy chief executive should be formalised within one of the director roles.

5.2 Job Size, scope and grade

5.2.1 It was acknowledged that some accountability, specifically housing and waste Executive Board lead, had passed to the Managing Director – Place and Economic Development since his appointment. However, anticipated changes arising from the next phase of organisational re-design, i.e. the service management review, together with a review of role and focus of the Cheltenham Development Taskforce, meant this was not the appropriate time to review the Executive Board director level job grades.

5.2.2 Members should also be aware that the proposed Executive Board roles had already been evaluated by the Local Government Association (LGA) as reported in December and were found to fit within the authority's salary grade 3. In order to deal equitably with this issue it was reported to the committee that the Executive Board director job roles, size, scope and grade will be reviewed as part of the next phase. On that basis the committee approved the proposed Executive Board structure with the director remuneration being as currently, at salary grade 3, which is in accordance with the authority's existing Chief Officer salary grade structure.

5.3 Capacity to deliver

5.3.1 The Director of Resources and Corporate Projects fed back his concerns that any delay in recruiting to the new Executive Director – People and Change role ran the risk of an inability to maintain momentum on key projects where it was the case that his flexible retirement had commenced without the new director being in post.

5.3.2 The committee acknowledged this risk and recognised that a transition period would mitigate this and that, in addition, a hand-over period between the two directors would also be very beneficial. The proposal put to the committee was therefore that the transitional role should commence on 1 November 2018.

5.4 Role of deputy chief executive

5.4.1 A suggestion was made through the feedback that the role of deputy chief executive be formalised. Members will be aware that the deputy chief executive post was deleted when the role of Head of Paid Service was created. Members will also hopefully be aware that arrangements are in place whereby a member of the Executive Board is nominated on an annual basis to fulfil the role. A small honorarium is paid to recognise the importance of the role.

5.4.2 The current arrangement works well and allows Executive Board directors to experience acting in the capacity of the most senior officer within the authority (although not in the capacity of the statutory role of head of paid service). The opportunity also helps in their development if they have aspirations to become a chief executive but importantly also builds resilience in the team.

5.4.3 However, the proposal put to A&R committee, and which Members agreed with, was that the formalisation of the deputy role be kept under review, in consultation with the Group Leaders, and at the next phase of the organisational design.

6. Areas of accountability and remuneration

6.1 The Executive Board areas of accountability, together with those of the transitional role of Director – Corporate Projects, are shown at Appendix 3. These were approved by the A&R committee.

6.2 As already stated remuneration for Executive Board directors will be at the existing Chief Officer salary grade 3. The transitional role of Director – Corporate Projects will be remunerated at Chief Officer salary grade 4.

7. Executive board restructure – implications for affected employees

7.1 Subject to Council approving the Executive Board structure set out within this report the implications for those directly affected are as set out in the January A&R committee report, and restated below, and are in line with the authority's restructuring process guidance:

- Managing Director – Place and Economic Development – automatic appointment to the post of **Managing Director – Place and Growth**
- Chief Finance Officer – automatic appointment to the post of **Executive Director – Finance and Assets**
- Director of Resources and Corporate Projects – post-holder at risk of redundancy however the director has stated, through the formal consultation, that he is agreeable to be appointed to the new transitional role of **Director - Corporate Projects.**

8. Recruitment process – executive director people and change

8.1 The constitution provides for the Appointments and Remuneration Committee being *"responsible for the appointment and dismissal of any Executive Officers or the Director of the Cheltenham Development Taskforce".*

8.2 At the January A&R committee meeting it was resolved that the Chief Executive, in consultation with the committee chairman, establish and implement the process for the recruitment to the post of Executive Director – People and Change. The committee recommended that a sub-committee of the committee be constituted with terms of reference as set out in section 6 of the report. However, it was made clear that no process would commence until Council had approved the creation of the new Executive Board structure.

9. Indicative costs and timeline

9.1 The indicative costs and timeline of the proposals presented here were outlined in the December A&R committee report.

9.2 If approved, the recommendation within this report will lead to the deletion of the post of Director of Resources and Corporate Projects, the creation of a new post of Executive Director – People and Change, together with the introduction of a new, part-time, transitional post for 2 years of Director – Corporate Projects

9.3 The cost of the current three executive director posts is £312.6Kpa. This cost is reduced by £35K being the contribution the Forest of Dean District Council makes for the secondment of the Chief Finance Officer on a part-time basis.

9.4 With regard to the deletion of the post of Director of Resources and Corporate Projects, the two potential options open to the authority are compulsory redundancy or flexible retirement of the current post-holder. The compulsory redundancy cost to the authority of the proposals is £219,870 and flexible retirement £188,426 based on a flexible retirement from 1 November 2018 to 1 July 2020. The proposal is therefore that the post-holder will flexibly retire and any redundancy payable upon the anticipated departure date will be subject to appropriate approval processes at that time.

9.5 Subject to Council approval the indicative timeline would suggest, subject to a successful recruitment campaign, interviews for the Executive Director – People and Change post taking place the first two weeks in April with a successful candidate in post by July assuming a three month notice period.

10. Reasons for recommendations

10.1 As outlined within the body of this report.

11. Alternative options considered

11.1 Alternative options were outlined in the December 2017 report. However, the committee considered the Executive Board structure recommended in this report as in the best interests of the authority.

12. Consultation and feedback

12.1 As set out previously the proposals contained in this report have been subject to informal and now formal consultation with those directly affected. The employee feedback to the formal consultation was set out in detail in the January committee report and considered carefully by Members. Consultation with trade union colleagues has taken place and informal drop-in sessions for staff before Christmas, to explain the proposals, have also taken place.

13. Performance management – monitoring and review

13.1 As explained in the January committee report it will be possible to report on the functioning of the new Executive Board structure when considering the next phase of organisational review although it may not have been fully in place for a lengthy period. In terms of individual performance members of the Executive Board are subject to the authority's performance appraisal process and their annual performance targets will be set and monitored in line with that policy.

Report author	**Contact officer: Pat Pratley, Chief Executive** **Pat.pratley@cheltenham.gov.uk** **01242 264100**
Appendices	1. Risk Assessment 2. Proposed Executive Board Structure 3. Executive Board Director Key Accountabilities
Background information	1. Appointments and Remuneration Committee Report – 7 December 2017 2. Appointments and Remuneration Committee Report – 29 January 2018

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	**Risk description**	**Risk Owner**	**Date raised**	**Impact 1-5**	**Likeli-hood 1-6**	**Score**	**Control**	**Action**	**Deadline**	**Responsible officer**	**Transferred to risk register**
1	If strategic capability, skills and focus on authority-wide modernisation and organisational development does not happen there is a risk that the authority will not be as effective and efficient as it might be	Pat Pratley	7.12.17	4	4	16	Reduce	Council approval to create the new Executive Board structure	19.2.18	Pat Pratley	
2	If the capacity issues at the Executive Board level are not addressed there is a risk that the authority will not move forward at the necessary pace and key projects will suffer delay or need to be re-prioritised	Pat Pratley	7.12.17	4	3	12	Reduce	Transition period to allow for the arrival of the New Director – People and Change Phase 2 review needs to build capacity to continue to deliver ongoing and new corporate projects	Pat Pratley		
3	If the authority's financial strategy is not underpinned by the structure, competencies and culture to deliver then there is a risk that financial sustainability will not be secured	Pat Pratley	7.12.17	5	3	15	Reduce	Financial sustainability to be collectively owned by the Executive Board Commercial strategy to be approved by Council as part of the 18-19 budget process	Pat Pratley		

4	If current service groupings below the Executive Board level are not realigned there will continue to be duplication and service focus will not effectively support the modernisation of how the authority works	Pat Pratley	7.12.17	4	3	12	Reduce	Council approval to create the new Executive Board structure	Pat Pratley		

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

Chief Executive

Note:
Head of Paid Service
Electoral Registration Officer
Executive Board lead for One Legal

2 service manager direct reports:
Elections and Registration Manager
Democratic Services Manager – One Legal client officer

Managing Director Place and Growth

Note:
Work closely with MD CDTF
Exec Board lead for Ubico, CBH
BID Director
GAL Shareholder Representative (growth)

Director Planning

- Place and ED Manager (vacant)
- Development Manager (Strategy)
- Development Manager (Applications)
- Green Space Manager

Director Environment

- Head of Public Protection (0.6 FTE)
- Bereavement Services Manager
- Licensing Team Leader
- Public and Environmental Health Team Leader
- Enforcement Manager
- Building Control Manager

- Housing & Waste Commissioner

Executive Director People and Change

Note:
New post
Exec Board lead for Publica (ICT, HR & H&S)
Exec Board lead for The Cheltenham Trust

- Customer and Support Service Manager
- Head of Revenues & Benefits
- Strategy and Engagement Manager
- Business Change Manager
- Governance and Risk Officer

Note:
Strategy and Engagement manager TCT client officer

Executive Director Finance and Assets

Full time post but shared with FoDDC

Note:
S151 Officer
Exec Board lead for Publica (Finance & Procurement)
SWAP Director
Ubico Director
GAL Shareholder Representative (finance)

- Head of Property and Asset Management
- Director – Corporate Projects (part-time role) – transitional role

 Appendix 3

Proposed Executive Board – Areas of Accountability

Managing Director – Place and Growth

KEY AREAS OF ACCOUNTABILITY

- Primarily outward facing role as lead for place agenda and key related strategies; joint core strategy, Cheltenham Plan, housing strategy, environmental strategy, town centre plan, neighbourhood planning, economic growth and inward investment, public realm, sustainable transport, tourism, parking
- Two director reports – Environment and Planning
- Ensuring that consultation around strategic planning, eg, Cheltenham Plan, is flexible and responsive to the fact that communities are different and not all have bodies in place, eg, parish councils or neighbourhood forums through which engagement can take place
- Retains accountability for commercialisation of regulatory and environmental services, developing a business approach in key areas, eg, development management, licensing, car parking, crematorium and cemeteries.
- Accountable for developing the Visitor and Marketing strategy and the authority's approach to contributing to the wider "festival town" ambition through the creation of events which support the authority's wider corporate objectives, for example, Cheltenham Cycling Festival
- Accountable for identifying and proposing the most appropriate arrangement to market Cheltenham as a visitor destination
- Bringing about a positive working relationship between key partners including the Chamber of Commerce, BID, Gloucestershire County Council, Highways Agency, Cheltenham Development Taskforce (CDTF), The Cheltenham Trust, Cheltenham Festivals, so that ambitions are aligned to secure future outcomes for Cheltenham
- Contributes to financial sustainability through the economic growth, inward investment agenda, services that are efficient, flexible and are operated with a commercial mind-set
- Working closely with the Managing Director of CDTF to deliver the taskforce business plan ambitions and also with regard to the Cyber Business Park Group and Cyber Security Infrastructure Group
- Executive Board commissioner lead for Ubico, Cheltenham Borough Homes
- BID Director
- Gloucestershire Airport Shareholder Representative on the Shareholder Forum (economic growth and governance) which means supporting the Leader in his role as shareholder

Proposed Executive Board – Areas of Accountability

Executive Director – Finance and Assets

KEY AREAS OF ACCOUNTABILITY

- Full time role – full time post, the post-holder is seconded part-time to the Forest of Dean DC as s151 Officer
- Line management of property services and asset management
- Line management accountability for new (part-time) post Director – Corporate Projects
- S151 Officer
- Exec Board lead for the budget strategy, financial plan, commercial strategy, treasury management strategy, asset management plan, commercial property investment strategy
- Contributes to financial sustainability through s151 role and driving the approach to active asset management and portfolio investment opportunities
- Lead commissioner for Publica (finance and procurement)
- Lead commissioner for South West Audit Partnership
- Ubico director
- Gloucestershire Airport Shareholder Representative on the Shareholder Forum (finance) which means supporting the Leader in his role as shareholder

Proposed Executive Board – Areas of Accountability

Executive Director – People and Change

KEY AREAS OF ACCOUNTABILITY

- Accountability for internal transformation (people, process and practice) and ensuring that the authority, across all its services, delivers first class customer service
- Digital champion and lead commissioner for Publica (ICT and HR/Learning and Development, Health and Safety)
- Accountable for leading and working collaboratively with the Executive Board to achieve a modern workplace with a sustainable future operating model where staff have the competencies, skills, behaviours, capabilities to deliver and operate and behave according to the authority's values
- Executive Board lead for a number of key organisational strategies; people, learning and development, digital, customer
- Lead for corporate strategy, performance management, corporate governance and risk management
- Ensures the place agenda and growth is inclusive and delivers sustainable and flourishing communities
- Working collectively with our partners and using our combined resources effectively to make the greatest difference to people's lives and support people and communities to be more resilient and self-sufficient
- Accountable for corporate communications and the authority's website and for developing the latter to support the more efficient and effective delivery of services to the public
- Accountable for a business change team with a focus on creating the right conditions to incubate and develop new commercial ideas/opportunities, project management support, business case and business analysis capabilities, service review support e.g. lean, client support for commissioned services
- Contributes to financial sustainability through a more efficient and effective operating model, seeking to reduce cost as well as growing revenue through creating the right organisational conditions and capabilities to incubate new ideas and develop new ways of raising income

Proposed Areas of Accountability

Director – Corporate Projects (part-time transitional role)

KEY AREAS OF ACCOUNTABILITY

- Sponsorship for the delivery of key corporate projects including accommodation strategy, town hall redevelopment, depot rationalisation, Arle Nursery, North Place redevelopment, Cakebridge Place.
- Key role in working with external partners including The Cheltenham Trust, Cheltenham Borough Homes, Gloucestershire County Council, Cheltenham Town Football Club etc.
- Engagement and support to cabinet members in the delivery of projects within respective portfolio areas
- Engagement more broadly with all members within CBC regarding the delivery of key strategic projects
- Accountable for sound project governance and decision with regard to key projects
- Reports to Executive Director – Finance and Assets

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Cheltenham Borough Council

Cabinet – 13th February 2018

Council – 19th February 2018

General Fund Revenue and Capital – Revised Budget 2017/18, and Final Budget Proposals 2018/19

Accountable member	**Cabinet Member for Finance, Councillor Rowena Hay**
Accountable officer	**Chief Finance Officer (Section 151 Officer), Paul Jones**
Accountable scrutiny committee	**Overview and Scrutiny Committee and Budget Scrutiny Working Group**
Ward(s) affected	**All**
Key Decision	**Yes**
Executive summary	**This report summarises the revised budget for 2017/18 and the Cabinet's final budget proposals and pay policy statement for 2018/19.**
Recommendations	**Cabinet / Council** **1. Approve the revised budget for 2017/18.** **2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.** **3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £203.01 for the year 2018/19 (an increase of 2.99% or £5.89 a year for a Band D property), as detailed in paragraphs 4.26 to 4.30.** **4. Approve the growth proposals, including one off initiatives at Appendix 4.** **5. Approve the savings / additional income totalling £716,500 and the budget strategy at Appendix 5.** **6. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 6.** **7. Note that Gloucestershire was successful in becoming a 100% Business Rate Retention pilot in 2018/19 and propose that the additional revenue generated be earmarked for economic growth initiatives specific to Cheltenham (paragraphs 4.19 to 4.20).** **8. Approve the extension of grants to Cheltenham Performing Arts (£20,000) and the Holst Birthplace Trust (£7,500) for a further 3 years, as detailed in paragraph 5.12.**

	9. Approve the deferral of the 2017/18 Cheltenham Trust management fee saving to 2019/20 and 2021/22 and provide for a contingency within the working balance of £150,000 for the Trust to drawdown (paragraphs 5.13 to 5.18). **10. Approve the Pay Policy Statement for 2018/19, including the continued payment of a living wage supplement at Appendix 9.** **11. Approve a level of supplementary estimate of £100,000 for 2018/19 as outlined in Section 13.**

Financial implications	As contained in the report and appendices. **Contact officer: Paul Jones, Chief Finance Officer.** **E-mail: paul.jones@cheltenham.gov.uk** **Tel no: 01242 775154**
Legal implications	The budget setting process must follow the Council's Budget and Policy Framework Rules. Members are not generally regarded as having a personal or prejudicial interest in the setting of the council budget and council tax. However, any member who is in arrears of council tax needs to give careful consideration to the provisions of section 106 of the Local Government Finance Act 1992. This states that if any arrears remain unpaid for at least two months then the member must disclose this at the beginning of the meeting, which is to consider the council tax calculation and shall not vote on the matter. It is a criminal offence to disregard this requirement. Any member likely to be in such a position should seek advice as quickly as possible from the Monitoring Officer. There is a legal requirement under the Local Government Finance Act 1992, sections 31A and 42A to set a balanced budget. The budget proposals includes budgets for expenditure and income and uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure in accordance with the Medium Term Financial Strategy. Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements. The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above specific levels and this has been taken in to account in recommending a 2.99% increase as set out in the report. Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves. **Contact officer: Peter Lewis** **E-mail: peter.lewis@tewkesbury.gov.uk** **Tel no: 01684 272012**

HR implications (including learning and organisational development)	In the spirit of building on our positive employee relations environment, the recognised trade unions received a budget briefing at the Joint Consultative Committee on 6th December 2017. Dialogue with the two recognised trade unions will continue throughout the coming year to ensure that any potential impact on employees is kept to a minimum and in doing so help to avoid the need for any compulsory redundancies. The Council's policies on managing change and consultation will be followed. Going forward, it is important that capacity is carefully monitored and managed in respect of any reductions in staffing and reduced income streams. **Contact officer: Julie McCarthy (Publica Group Limited)** **E-mail: julie.mccarthy@cheltenham.gov.uk** **Tel no: 01242 264355**
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.
Environmental and climate change implications	The final budget contains a number of proposals for improving the local environment, as set out in this report.

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

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

Budget Proposal (excerpt from appendix 5)	**Potential community and equality impacts and any mitigating actions**
1. Place and Economic Development	
Transformation of Regulatory and Environmental Services delivery	Ensuring that our human resource processes used to enable any staff restructuring are compliant with equality legislation.
Review of fees & charges and income generation opportunities	None identified at this stage; the individual proposals for revising fees and charges will be subject to separate equality impact assessments to ensure that particular groups are not disadvantaged.
2. Organisational Change	
Revenues and Benefits restructure	Ensuring that our human resource processes used to enable any staff restructuring are compliant with equality legislation.
3. Finance and Assets	
Business Rates additional target through pooling	None identified although in 2018/19 this will be managed through the 100% Pilot for Business Rates retention.
Treasury Management activity	None identified.
LGPS up-front payment discount	None identified.
Additional Depot rent - Ubico	None identified.

Commercial rationalisation of existing assets and investment portfolio income generation	None identified at this stage; the detailed proposals for the use of our assets will be subject to separate equality impact assessments to ensure that particular groups are not disadvantaged.
4. Use of Reserves	
Use of Budget Strategy (Support) Reserve	None identified
Previously Delivered Savings Targets	
L&C Review - trust savings deferral	The equality and community impacts of the work to establish the Cheltenham Trust were set out in report to cabinet on 12 December 2012; the report identified that the agreed outcomes recognise the groups where participation is potentially lowest. This is being monitored through quarterly review meetings.

1. Background

1.1 In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2018. The consultation took place between the period 14th December 2017 to 19th January 2018 and this report sets out the final proposals for 2018/19.

1.2 The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, more than 65% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.

1.3 In December 2017 the Cabinet proposed a net budget requirement for consultation totalling £13.619m and was based on a 2.54% (£5 for Band D property) Council Tax increase.

1.4 Since the draft budget proposals were published, additional pressures have been identified which have been captured within the growth proposals in Appendix 4.

1.5 In addition, the revised contract fee for 2018/19 from Ubico has increased by a further c. £137k to reflect the national pay award for local government which is higher than anticipated, additional insurance premiums and an increase in finance lease payments in respect of the new waste and recycling vehicles.

1.6 The original proposed fee from Ubico provided for a 2% pay award across all service areas. However, based on the latest national pay negotiations, the revised fee recognises that in 2018/19, all staff on SCPs 6-19 inclusive would see their pay increase by between 3.7% and 9.1%. A significant proportion of the Ubico workforce fall within this pay bracket, and as such, will be entitled to a pay award in excess of 2%.

1.7 Following the Cabinet meeting held on 12th December 2017 the provisional financial settlement was announced on 19th December 2017. The most significant changes proposed in the settlement were:

- The announcement that Gloucestershire has been accepted as a 100% Business Rates Retention (BRR) pilot in 2018/19;
- No changes in the way that the New Homes Bonus (NHB) is calculated and the baseline target will remain at 0.4%. This equates to an additional £67,530 NHB in 2018/19;

- The flexibility to increase Council Tax by the greater of up to 3% (previously 2%) or £5 based on a Band D property which is in line with the December 2017 Consumer Prices Index (CPI);
- Permission to increase planning fees by 20% from January 2018;
- Fair Funding Review consultation on new funding methodology from 2020/21 which closes on 12th March 2018;
- Local share of Business Rates Retention to increase from 50% to 75% which will include the transfer of public health and other grants. Also recognised the ‘strength of feeling’ in the sector towards ‘negative RSG’ with a commitment to consult on the proposals which are due to be implemented in 2019/20 for this Council.

1.8 The additional pressures outlined in Appendix 4 have been funded by the additional New Homes Bonus, Business Rates and changes in the tax base / collection fund surplus with the proposal to increase Council Tax by an additional 0.45%, which will result in a revised net budget requirement of £14.429m as detailed in Appendix 3.

2. Budget Assessment of the Section 151 Officer

2.1 Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on HRA to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council’s budget and council tax setting meeting.

2.2 The Section 151 Officer is satisfied that the proposed budget for 2018/19 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2018/19. The full assessment is attached at Appendix 2.

3. 2017/18 Budget Monitoring to December 2017

3.1 The budget monitoring report to the end of December 2017, also considered by Cabinet on 13th February 2018, indicates that despite a number of variances to the budget it still anticipates the delivery of services within budget in 2017/18.

4. Settlement Funding Assessment

4.1 The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.

4.2 The final local government settlement for 2017/18 equated to a further grant reduction in cash terms of £0.676 million or 17.5%. The proposed settlement for 2018/19, as outlined in the 4 year multi-settlement agreement, indicates a further grant reduction in cash terms of £0.362 million or 11.3%.

4.3 Since 2009/10 the Council’s core funding from the Government has been cut by some £6.4 million (72.7%), from £8.8 million to £2.4 million (this excludes council tax support funding of £812k which transferred into the settlement funding assessment in 2013/14).

4.4 The proposed levels of government funding for this Council are set out in the table below. Overall ‘core’ central government funding (referred to as the Settlement Funding Assessment) is set to reduce by a further 11.3% in 2018/19.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	1.273	0.544	0.102	(0.391)
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.600	2.653	2.733	2.794
Settlement Funding Assessment	**3.873**	**3.197**	**2.835**	**2.403**
Actual cash (decrease) over previous year	(0.816)	(0.676)	(0.362)	(0.432)
% cash cut	(17.4%)	(17.5%)	(11.3%)	(15.2%)

4.5 It should be noted, however, that in 2018/19 this Council will forego its entitlement to Revenue Support Grant in return for a greater share of business rates under the pilot scheme and this is detailed below.

4.6 The Government's policy of phasing out revenue support grant and in due course potentially allowing councils to benefit from a higher share of business rates creates a need for this Council to develop a long-term strategy which is significantly different from that followed in past years. Since 2013 the Council has had a direct financial interest in economic and business growth in the town, and will have a larger stake in it under the Government's proposals for reforming business rates.

4.7 However, by not including the Local Government Finance Bill in the Queen's Speech, the Government has given a very strong indication that it will not be proceeding with 100% business rates retention, at least not yet.

4.8 The provisional financial settlement, announced on 19th December 2017, suggests that the local share of Business Rates Retention will increase from 50% to 75% and will include the transfer of public health and other grants, and therefore may not require a specific Local Government Finance Bill to enable this.

4.9 A technical consultation paper on the funding mechanism for Local Government finance from 2020/21 (the Fair Funding Review) was launched through the provisional settlement with a closing date of 12th March 2018. Officers will work with colleagues within Gloucestershire to ensure a robust response is put forward on behalf of this Council.

Business Rates Retention (BRR)

4.10 In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements.

4.11 Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.

4.12 The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership. In the first year of operation the Pool reported a surplus of £774,862.

4.13 In 2014/15, the pool suffered a significant loss due to the impact of backdated appeals on rateable values and, in particular, the successful backdated appeal by Virgin Media, the largest valued business in Tewkesbury. The final pool position for 2014/15 published a deficit of £2.3m following a safety net payment to Tewkesbury of £3.9m, as reported to Cabinet and Council in July 2015.

4.14 In 2015/16 the Pool was back in surplus, generating £877,948, and in 2016/17 generated a further surplus of £2,138,443.

4.15 The anticipated level of business rates due to this Council in 2018/19, taking into account the re-developments at the Brewery, John Lewis and Jessops Avenue, is above the baseline funding target (Cheltenham's target level of retained Business Rates) which would result in Cheltenham still being liable to a 'levy'.

4.16 Taking the above into account, the Section 151 Officer confirmed that this Council would benefit from remaining in the pool in 2018/19 as it would result in a reduction of any levy payment due to Government, which would be distributed in accordance with the governance arrangements

4.17 The Local Government Finance Bill was published on 13th January 2017. Its main purpose was to put in place the framework for 100% BRR. However, with the General Election in June 2017, this Bill was withdrawn and was not mentioned in any subsequent publications.

4.18 On 1st September 2017 the Department for Communities and Local Government (now known as the Ministry of Housing, Communities and Local Government) published an 'invitation to local authorities to pilot 100% business rates retention in 2018/19 and to pioneer new pooling and tier-split models,' with a deadline of 27th October 2017. Extensive modelling work was undertaken by the 7 Council's within Gloucestershire, supported by an external consultant, which reviewed the risks and rewards and resulted in a bid being submitted to the Government by the deadline with the following criteria:

- Full agreement by all 7 councils to be designated a pool for 2018/19 (in accordance with Part 9 of Schedule 7B to the Local Government Finance Act 1988).
- An agreed proposal as to how the additional growth should be split. This provides for;
    a. 20% to an already established Strategic Economic Development Fund (set up under the existing pooling arrangements)
    b. 30% to the 6 District Councils and
    c. 50% for the County Council
- Each authority will use its funding for financial resilience/sustainability and growth initiatives specific to its area. Given that the pilot is being presented as a 'one off for 2018/19 only', individual authorities will be careful not to build in longer term financial commitments.
- We acknowledge that we forego Revenue Support Grant and Rural Services Grant funding for the period of the pilot i.e. the financial year 2018/19.
- We accept the terms of the pilot being a safety net threshold of 97% and that there is a "zero levy", as is the case for the current 2017/18 pilot areas.
- We understand that Ministers have now agreed that all pilots are to have a 'no detriment' clause.
- Should we not be successful with our pilot bid, we wish to see our current pooling arrangements continue. This would involve the 6 authorities currently in the Gloucestershire pool. Tewkesbury BC is not part of the pool.

4.19 The Government announced the successful pilots on 19th December 2017 alongside the provisional financial settlement. Gloucestershire's bid was successful, and indications announced at the time were that this was worth circa £9.2m to Gloucestershire as a whole.

4.20 Under the pilot announced by the Government, 100% of growth is shared locally, with 50% going to the District's and 50% to the County Council. As detailed in the table below, the benefit to Cheltenham Borough Council is estimated to be circa £633,457. However out of this share, provision must be made for a transfer to the Strategic Economic Development Fund which is currently estimated at £333,000. It is therefore anticipated that a retained element of circa £300,000 will be used to fund one-off economic growth initiatives specific to Cheltenham. It should be noted that this is an estimate of the rates collection forecast based on NNDR1 and the actual business rates collected may be more or less than this. It is therefore prudent to allocate this additional share to the Business Rates Retention earmarked reserve until a point that the monies can be released to fund specific schemes when there is more clarity on the actual business rates collected. As the pilot does not form part of the settlement funding assessment for Cheltenham Borough Council and is only for one year, this additional income has not been built into future base budget estimates.

4.21 One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the Ministry of Housing, Communities and Local Government (MHCLG). The NNDR1 return was submitted to the MHCLG by the deadline of 31st January 2018 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and it is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position under the 100% pilot is £1,942,709. However, due to temporary retail closures arising from town centre redevelopments, the large reductions made by the Valuation Office (VO) in the rateable values of purpose-built doctors' surgeries and health/medical centres (which are backdated several years) and other rateable value changes, deficit adjustments need to be made from previous years to the value of £745,710.

4.22 It is therefore appropriate and necessary to support the 2018/19 budget proposals with a contribution from the BRR reserve which has been built up over the last two financial years to deal with these issues.

	2017/18 Original 50% system £	2017/18 Revised 50% system £	2018/19 Comparison 50% system £	2018/19 Original 100% system £
Retained business rates per NNDR1	21,470,254	20,960,028	21,742,783	27,178,478
Tariff payable to government	(17,818,354)	(17,818,354)	(18,665,960)	(23,875,005)
Grant to compensate for government decisions	676,296	1,156,858	1,187,681	1,474,787
Estimated levy payable to government after Pool surplus/deficit	(605,394)	(434,174)	(222,000)	-
Net retained business rates	**3,722,802**	**3,864,358**	**4,042,504**	**4,778,260**
Less Baseline Funding (target level of net retained rates)	(2,653,532)	(2,653,532)	(2,733,252)	(2,835,551)
Net surplus on business rates against baseline funding	**1,069,270**	**1,210,826**	**1,309,252**	**1,942,709**
Deficit adjustment re 2015/16	(303,960)	(303,960)	-	-
Deficit adjustment re 2016/17	(140,464)	(140,464)	(235,484)	(235,484)
Deficit adjustment re 2017/18	-	510,226	(510,226)	(510,226)
One-off adjustments re previous years' deficits	**(444,424)**	**65,802**	**(745,710)**	**(745,710)**
Net retained business rates (after one-off deficit adjustments)	**3,278,378**	**3,930,160**	**3,296,794**	**4,032,550**
Revenue Support Grant	544,030	544,030	102,299	-
Net retained business rates plus revenue support grant	**3,822,408**	**4,474,190**	**3,399,093**	**4,032,550**
Transfer to BRR earmarked reserve				(633,457)
Net retained business rates				**3,399,093**

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

4.24 A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates may be repayable back to the 2010/11 financial year, which reduces the business rates yield in the year in which the refund is made. The Council has made provision for its share of the cost of outstanding appeals in its financial statements. The level of provision has been reviewed as part of the preparation of the business rates estimates for 2018/19.

4.25 Local authorities have been inundated with various regulation updates but we are still struggling to get access to critical information, such as the likely outcome of appeals against business rates. Large appeals and RV reductions from other public sector organisations could also undermine local government's ability to make business rates retention a success.

Council Tax

4.26 For the period 2010 to 2015 the Council had frozen its council tax. In taking this course of action, the Cabinet had borne in mind the difficult economic and financial climate that many of our residents were facing. However, during the period of the freeze our own financial position as a Council deteriorated sharply. Our core Government funding has been cut drastically, with further large cuts to come. In addition, inflation has continued to affect many areas of the Council's costs.

4.27 Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold in 2018/19 for council tax increases is now proposed at 3 per cent for all local authorities. However, shire districts will be allowed increases of up to and including £5, or up to 3 per cent, whichever is higher.

4.28 Consumer price index (CPI) inflation was 3.0% in December 2017, which is above the Monetary Policy Committee's (MPC) 2% target. Inflation is not projected to fall back towards the 2% target until mid-2018, reflecting past increases in energy prices falling out of the annual comparison.

4.29 With increased pressure for the cap on public sector pay to be lifted and the need for inward investment in the Borough through specific events and marketing of the Town, the Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.

4.30 Therefore, the Cabinet is proposing a 2.99% increase in council tax in 2018/19; an increase of £5.89 for the year for a Band D property.

Collection Fund

4.31 In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund surplus for 2017/18 is £172,000 which will be credited to the General Fund in 2018/19. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates.

5. The Cabinet's general approach to the 2018/19 budget

5.1 In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's costs. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.

5.2 The key mechanism for carrying out this strategy is the Bridging the Gap (BtG) programme, which seeks to bring service costs in line with available funding. To date, this programme has been very successful in managing funding gaps, with over £12m generated from BtG work streams including service reviews, shared services, increased income generation and asset management initiatives. This achievement has made it possible to date, to adopt a more strategic approach to identifying savings and additional income rather than relying on 'salami-slicing' of budgets.

5.3 The Cabinet believes the longer term approach to finding efficiencies to close the funding gap is fundamentally through economic growth and investment and the efficient utilisation of our assets. With this is mind, the Cabinet has been working with the Executive Management team to deliver a commercial strategy which sits alongside the Medium Term Financial Strategy (MTFS) as detailed in Appendix 10. In addition, resources will be geared towards supporting and delivering the growth agenda including major developments in North West and West Cheltenham.

5.4 The MTFS indicates broadly how the Council will close the projected funding gap over the period 2018/19 to 2021/22. It includes savings targets rather than specifically worked up projections of cost savings and is based on the building blocks of place and economic growth; organisational change; and finance and assets. The detailed schedule of target savings is provided in greater detail within Appendix 5.

5.5 The Cabinet's interim budget proposals for 2018/19, approved at a meeting on 12th December 2017, included an estimate of £1.643m for the 2018/19 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available assuming a 11.3% cut in government support.

5.6 The final assessment of the budget gap for 2018/19, based on the detailed budget preparation and the assumed financial settlement is £1.629m.

5.7 The key aims in developing the approach to the budget were to:

- Do everything possible to protect frontline services with a modest increase in council tax
- Identify savings that can be achieved through reorganisation of service delivery or raising additional income rather than through service cuts.
- Identify savings and additional income that could be used to strengthen the Council's Budget Strategy (Support) reserve.

5.8 In preparing the 2018/19 budget proposals, the Cabinet and officers have:

- Prepared a budget projection under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The full list of proposals for growth, including one off initiatives, is included in Appendix 4.
- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
- Budgeted for pay inflation at 2% for 2018/19.
- Budgeted for an increase in Members allowances of 2% for 2018/19 as agreed by Full Council on 11th December 2017.
- Budgeted for superannuation increases in accordance with the triennial review 2016 which were in line with those forecast in October 2016 for the financial years 2018/19 and 2019/20.
- Increased income budgets for the Cemetery and Crematorium, assuming an average increase in fees and charges of 2%.
- All other fees and charges, including car park charges, are subject to annual review by the Place and Economic Development Services management team. A target of £50k per annum has been established as part of the savings strategy approved to deliver a balanced budget.

- Agreed a strategy regarding the re-prioritisation of resources, cost reduction, vacancy management and income generation to deliver key work-streams identified around the place strategy.

- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

5.9 As in previous years, the budget for the coming year is the result of a great deal of activity and hard work by officers and members throughout the year. The Cabinet has worked with the Executive Board to develop a longer term strategy for closing the funding gap and this is monitored regularly. The Cabinet's final budget proposals for closing the budget gap in 2018/19, which are the result of this work, are detailed in Appendix 5.

5.10 This budget proposes to make full use of the New Homes Bonus, a total of £1.754m, to support the 2018/19 revenue budget.

5.11 In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. This reserve secures the Council against short-term challenges which we know we will encounter in the coming years. These short-term challenges require a short-term response and it is therefore the Cabinet's intention to meet the projected shortfall in funding of £913,058 in 2018/19 from the budget strategy (support) reserve rather than by cuts in services or increases in charges which would have a long-term impact.

Grants to Cheltenham Performing Arts and the Holst Birthplace Trust

5.12 It is proposed to extend the provision of grant funding for Cheltenham Festival of Performing Arts (CFPA) and The Holst Birthplace Trust for another three years from April 2018 to March 2021 in the sum of £20,000 per annum and £7,500 per annum respectively. Both organisations form an important part of Cheltenham's cultural offer. The Holst Birthplace Museum houses the council's collection relating to Gustav Holst together with more general Victoriana, providing visitors with an opportunity to learn more of Holst's life and experience domestic life at the end of the 19th Century. These objects might otherwise not be publicly accessible. Gustav Holst also supports the town's international profile. The Cheltenham Festival of Performing Arts is the town's oldest festival and provides an opportunity for local schools and individuals to become involved in the Arts with particular reference to music, speech, drama and dance. The work of both organisations will contribute to the council's Place Strategy outcomes.

The Cheltenham Trust

5.13 In October 2014, the Council created a charitable trust (The Cheltenham Trust) to sustain and develop the good work of the council's in-house leisure and culture services. As well as leading to significant financial benefits to the Council and the town, it was recognised that a trust would be in a stronger position to promote healthier lives, to create inspirational experiences and to promote the town as a great place to be.

5.14 Over the first 3 years of operation (2014 to 2017) the Trust has delivered base budget revenue savings to the Council of £641,800 which cumulatively equates to financial savings in excess of £1.8m over the same period. In addition, the Trust has managed to leverage in additional grants in excess of £900k. These savings primarily have come from business rates, employer pension contributions and VAT; it is acknowledged that these savings could not have been realised through the continuation of an in-house provision.

5.15 When the original business case was put before Council it was anticipated that overall savings of £835,300 could be realised by 2018/19, the difference being £193,500 which were scheduled to be delivered in 2017/18 and 2018/19. Over the last 3 months, representatives from the Trust have met with Officers and the Cabinet to express their difficulty in delivering these latter savings without significant investment into the business.

5.16 Members will recall that the Council has recently agreed to invest in the leisure facility which will deliver a significant new income stream after taking into account the financing costs. The delays to this scheme mean that the financial benefits will not be delivered until early 2019.

5.17 The Cabinet therefore propose that, in order to give the Trust the best opportunity to succeed, the management fee reductions proposed in 2017/18 and 2018/19 (totalling £150,500 and £43,000 respectively) be deferred until the financial years 2019/20 and 2020/21 as detailed in Appendix 5.

5.18 The Cabinet further propose that a contingency provision of £150,000 be held in general balances for the Trust to draw down; this will provide for short-term losses incurred by the Trust as they go through re-organisation and transformation. Furthermore, the Cabinet have requested that the Trust look at their business operations, including those services that are currently protected, to ensure it is fit for purpose and commercially focussed.

6. Treasury Management

6.1 Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.

6.2 Investment interest rates will probably remain very low in the medium term until there is more economic certainty following Brexit. Returns from traditional fixed term cash deposits are minimal so growth will need to be from alternative investment sources such as investment in property assets and multi-asset funds which include exposure to the bond and equity markets.

7. Reserves

7.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This assessment is included within Appendix 2.

7.2 The Cabinet is proactive in strengthening reserves when appropriate and necessary through the use of underspends and one-off income. It is therefore recommended that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

7.3 A projection of the level of reserves to be held at 31st March 2018 and 31st March 2019 respectively is detailed in Appendix 6.

8. Capital Programme

8.1 The proposed capital programme for the period 2017/18 to 2020/21 is at Appendix 7.

8.2 The strategy for the use of the council's capital resources is led by our corporate priorities. The existing programme includes sums for infrastructure investment to be funded from capital receipts and the purchase of new vehicles through Ubico. It also includes the allocations agreed by the Council in April 2015 to facilitate the redevelopment to the Town Hall and the Crematorium, and an earmarked contribution to public realm works within the Town Centre.

8.3 In addition the capital programme sets aside an allocation for enhancing our property portfolio with the aims of delivering economic growth and regeneration.

9. Property Maintenance Programmes

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

10. Pay Policy Statement

10.1 Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.

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

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

11. Reasons for recommendations

11.1 As outlined in the report.

12. Consultation and feedback

12.1 The formal budget consultation on the detailed interim budget proposals took place over the period 14th December 2017 to 19th January 2018. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed.

12.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 8th January 2018 and comments have been fed back to the Cabinet.

13. Supplementary Estimates

13.1 Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2018/19 to be met from the General Reserve, the same level as in 2017/18.

14. Alternative budget proposals

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

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

15. Final budget proposals and Council approval

15.1 The Cabinet has presented firm budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.

15.2 If it accepts the recommendation of the Cabinet, without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.

15.3 An in-principle decision will automatically become effective 5 working days from the date of the Council's decision, unless the Leader informs the Section 151 Officer in writing within 5 working days that he objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.

15.4 In that case, another Council meeting will be called within 7 working days of the date of appeal when the Council will be required to re-consider its decision and the Leader's written submission. The Council may (i) approve the Cabinet's recommendation by a simple majority of votes cast at the meeting or (ii) approve a different decision which does not accord with the recommendation of the Cabinet by a majority. The decision will then become effective immediately.

16. Performance management – monitoring and review

16.1 The scale of budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from delivery of services to delivery of savings. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.

16.2 The delivery of the savings workstreams included in the final budget proposals, if approved by full Council, will be monitored by the Budget Scrutiny Working Group.

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Appendices	1. Risk Assessment 2. Section 151 Officer budget assessment 3. Summary net budget requirement 4. Growth 5. Savings / additional income 6. Projection of reserves 7. Capital programme 8. Programmed Maintenance programme 9. Pay Policy Statement 10. Medium Term Financial Strategy (MTFS) – Background Paper
Background information	1. Budget strategy and process report 2018/19 (Cabinet 10th October 2017) 2. General Fund Revenue and Capital – Interim Budget Proposals and Medium Term Financial Strategy 2018/19 to 2021/22 (Cabinet 12th December 2017) 3. Budget Monitoring Report 2017/18 position as at December 2017 (Cabinet 13th February 2018) www.gov.uk/government/consultations/the-case-for-a-business-rates-relief-for-local-newspapers

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
CR3	If the Council is unable to come up with long term solutions which close the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	01/09/2010	5	3	15	Reduce	The budget strategy projection includes 'targets' for work streams to close the funding gap which aligns with the council's corporate priorities.	Ongoing	Chief Finance Officer	01/09/2010
CR105	If the Budget Deficit (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Chief Finance Officer in the council's Medium Term Financial Strategy	Chief Finance Officer	01/04/2016	4	3	12	Reduce	The MTFS is clear about the need to bolster reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2018/19 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.	Ongoing	Chief Finance Officer	
1.02	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business and the constrained ability to	Chief Finance Officer	14/09/12	4	3	12	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by the Council.	Ongoing	Chief Finance Officer	

	grow the business rates in the town then the MTFS budget gap may increase.							The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool. Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.			
1.03	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	Chief Finance Officer	15/12/10	3	3	9	Reduce	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	Chief Finance Officer	
1.04	If when developing a longer term strategy to meet the MTFS, the Council does not make the public aware of its financial position and clearly articulates why it	Chief Finance Officer	15/12/10	3	3	9	Reduce	As part of the delivery of the BtG / commissioning programmes a clear communication strategy is in place. In adopting a	Ongoing	Communications team to support the BTG programme	

	is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease.							commissioning culture the council is basing decisions on customer outcomes which should address satisfaction levels.			
1.07	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.	Chief Finance Officer	13/12/10	5	3	15	Reduce	Work with GOSS and county wide CFO's to monitor changes to local government financing regime including responding to government consultation on changes to New Homes Bonus and Business Rates. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.	Ongoing	Chief Finance Officer	

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APPENDIX 2

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

ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES 2018/2019

1. INTRODUCTION

The Local Government Act 2003 Section 25 includes a specific duty on the Chief Finance Officer (Section 151 Officer) to make a report to the authority when it is considering its annual budget and council tax levels. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act 'reserves' includes 'general fund balances'.) The Act requires the Council to have regard to the report in making its decisions at the Council's budget and council tax setting meeting in respect of 2018/19.

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

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

2. ROBUSTNESS OF ESTIMATES

Budget estimates are assessments of spending and income made at a point in time, based on service needs and known expenditure patterns. The statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but gives members reasonable assurances that the budget has been based on the best available information and assumptions.

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

- the issuing of clear guidance to Service Managers on preparing budgets through the annual budget strategy report;
- peer review by GO Shared Services finance staff involved in preparing the standstill base-budget, i.e. the existing budget plus contractual inflation;
- the use of in-year budget monitoring to re-align budgets in line with projected changes for 2018/2019;
- a medium term planning process that highlights priority services;
- a review of the corporate risk register;
- a service review by the Cabinet, Executive Management Team and Service Managers of detailed budget and proposed savings and their achievability; and
- GO Shared Services finance staff providing advice throughout the process on robustness, including vacancy factors, increments, current demand, and income levels.

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

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

Budget Assumption	Financial Standing and Management
1. The treatment of demand led pressures.	Service Managers will be expected to manage changes within their budgets by re-prioritising or by taking steps to reduce expenditure where income streams decrease significantly. Where this is not possible it will be necessary to use the working balance or earmarked reserves on the understanding that they may need to be restored in future years. The full rollout of Universal Credit (UC) began in Cheltenham on 6th December 2017. It is estimated that up to 1,800 tenants will move to UC within the next 3 years, placing considerable pressure on rent arrears. CBH is conducting a proactive campaign to provide support and information to all tenants affected by these changes. The impact on arrears will be closely monitored and the budget proposals reflect an increasing provision for bad debts.

Budget Assumption	Financial Standing and Management
2. The treatment of inflation and interest rates.	The following assumptions have been made in the preparation of the Medium Term Financial Strategy in respect of inflationary pressures: • Pay awards are modelled at 2% per annum from 2018/19. • Employer's Superannuation contributions – agreed until 2020 through the latest triennial valuation and through agreement to pay the required secondary sum payments to the Local Government Pension Scheme (LGPS) as an up-front payment for the next 2 years future liability (i.e. pay some of the liability up front which impacts on cash flow but does not represent an additional budgetary commitment). Future uncertainty in the economy / fund performance may increase pension fund deficits although budgeting assumptions follow actuarial advice. Current modelling and results suggest the current strategy will ensure the Council is in a positive cash-flow position by 2018/19, resulting in an improved funding level. • Contract inflation has been allowed for at the appropriate contractual rate • In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures. Whilst this creates natural efficiency savings it could lead to insufficient budget to maintain service levels. In-year increases will need to be managed. • The Council provides a number of demand led services e.g. green waste collection, car parking, building control charges, etc. The estimates for 2018/19 have been prepared on the advice of officers who have taken a professional view on income levels, based on their opinion about the local economic conditions. Income from fees and charges will generally have been increased where legislation permits although a more targeted approach to demand led services have been appraised by Service Managers. • On 8th July 2015 the Chancellor announced that rents in social housing would be reduced by 1% a year for four years. This resulted in an estimated loss of rental income of £6.7m in the period to 31st March 2020. The proposals agreed in 2016/17 recommended a balanced approach to cost savings and planned use of reserves. The Government has now confirmed that from April 2020 rent policy will revert back to the previous guidelines of allowing annual increases of up to CPI + 1% per annum. • Despite historic significant investment returns, the treasury management budgets are based on sustained low interest rates. The budget proposes a diversification into pooled funds which will expose the Council to investments within property, bonds and equities. These funds have the advantage of providing wide diversification of investment risk, coupled with the services of professional fund managers in return for a fee. These funds offer enhanced returns over the longer term, but are more volatile in the short-term but will allow the authority to diversify into asset classes other than cash. • The Council adheres to the CIPFA Code of Practice for Treasury Management 2011 and updates its policy and strategy statements annually. The Investment Strategy is reviewed annually to ensure security of public money. Following the banking crisis, our treasury advisors continue to advise the Council and Treasury Management Panel on policy. Risks around inflation and interest rate variations have been built into my assessment of the budget. In-year increases will need to be managed but may need to be funded from General Balances and subsequently be built into base budget in future years. The recommended minimum HRA revenue reserve to cover contingencies is £1.5m. The three year projections forecast a reserve balance of £3.605m at 31st March 2021 which is deemed sufficient to cover the impact of the changes in Housing and Welfare Policy over the medium term.

Budget Assumption	Financial Standing and Management
3. Estimates of the level and timing of capital receipts.	Property services need to ensure our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough. In December 2016, Full Council agreed that a minimum of 50% of all future asset disposal proceeds be ring-fenced to enhancing the Council's land and asset portfolio. In that same report, Full Council endorsed an aim to generate a minimum 5% yield on future investment in property to help towards achieving a sustainable MTFS. No major General Fund capital receipts are anticipated that would affect the planned capital expenditure in 2018/2019. A strategic review of our property portfolio has been undertaken to support the development of the investment property portfolio and to ensure that the council's assets make the maximum contribution possible to support the MTFS. Housing stock sales through Right to Buy (RTB) are estimated to be at 30 per annum to March 2022 then reducing to 20 per annum thereafter. These receipts will be ring-fenced towards the supply of new housing.
4. The treatment of efficiency savings/ productivity gains.	The majority of savings proposals for 2018/2019 are already in progress and no identified slippage has been identified. This should not undermine our ability to keep expenditure within budget in 2018/19 although provision is made for slippage within working balances.
5. Government support.	The following assumptions have been made in the preparation of the Medium Term Financial projections in respect of Government support: • The estimates for 2018/19 are based on the final financial settlement notified by the Ministry of Housing, Communities and Local Government (MHCLG) on 7th February 2018. Whilst the Valuation Office Agency (VOA) error led to Cheltenham receiving an increased Tariff of £454k from that proposed in the provisional settlement, this has been partly offset by an increase of £383k in Section 31 grant to compensate us for limits to the increase in the NNDR multiplier. • The medium term financial projections reflect the significant reductions in Revenue Support Grant (RSG) as it is top-sliced to fund the growth in the New Homes Bonus (NHB). • The budget requires £1.754m of New Homes Bonus (NHB) to support the revenue budget in 2017/18. The fact that this source of funding is being top-sliced from the RSG, means that the Council has little alternative but to regard this money as an important part of its income stream and is therefore assumed to be base funding across the period of the MTFS. • The budget for 2018/19 includes assumptions for business rates based on estimates of collection rates, bad debts, appeals, reliefs (mandatory and discretionary) and assumed 50% share under the 2018/19 100% Business Rates Retention pilot for Gloucestershire. The medium term financial projections make no provision for the impact of future changes in the mechanism for operating local business rates retention but this budget uses a reserve to help mitigate the risk of any future fluctuations from previous years' one-off deficits. Despite the uncertainty over future government funding, I am comfortable that the Council has been sufficiently prudent in budgeting for reductions in government support, including dealing with the uncertainty of business rates and NHB receipts.

Budget Assumption	Financial Standing and Management
6. Proposed level of council tax.	When setting the level of council tax, members should always consider the medium term outlook to ensure that a sustainable budget position is maintained Members also need to acknowledge that the Localism Act 2011 contains requirements for local authorities to hold a referendum where council tax is proposed above a specific increase (the greater of up to 3% or £5 in 2018/19). Council tax is the main source of locally-raised income for this authority and has previously been referred to by MHCLG as ‘an important source of funding which is used to meet the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants. When calculating the core grant settlement, the Government assumes that all Shire Districts will increase their Council Tax by the threshold amount for 2018/19. The indicative grant levels for the period 2019/20 also assumes that all local authorities will increase their Council Tax levels up to the threshold each year. There has been an important shift in the Government’s principles, most noticeably, the shift away from freezing council tax to using council tax to generate additional funding. Given that this budget relies on the use of reserves to generate a balanced budget in 2018/19, I am of the opinion that council tax cannot be frozen as it would carry significant risks in future years. I therefore support a council tax increase of 2.99% as this will avoid the requirement for a referendum (cost c. £50k) for council tax increases over the government cap.
7. Medium Term Financial Strategy (MTFS) – the strategy for closing the projected funding gap.	Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority’s future revenue and capital programme. The 2018/19 budget includes medium term financial projections of the projected funding gap and indicates broadly how the Council may close the projected funding gap over the period 2018/19 to 2021/22. The Medium Term Financial Strategy (reported to Cabinet 12th December 2017) outlines the strategy for closing the funding gap and includes savings and income targets rather than necessarily specific worked up projections of cost savings. The Council has traditionally provided ‘one off’ funding for investment in systems or staff costs i.e. additional short-term resource, redundancy / pension costs funded from savings or earmarked reserves. The Council’s approach to modelling and monitoring the MTFS and planning for meeting future funding gaps outlined in the budget strategy demonstrates robust and effective planning for closing the funding gap and is effectively scrutinised. The Council is developing a more commercial approach to service provision with the aim of becoming self-financing and less dependent of Central Government funding. This approach will help refocus on delivering a sustainable MTFS. It is anticipated that the move to a greater share of business rates is a step in the right direction for Cheltenham, although we are already aware that a system of tariffs and top-ups will remain which effectively distributes funding across the Local Government sector. Developing strategies for business and economic growth which will generate revenue for the council to offset the reductions in government funding streams will be a key strand of the development of the MTFS.
8. The authority’s capacity to manage in-year budget pressures.	The authority has proven its ability to manage in-year budget pressures with no recorded overspends in recent years. Improvements to our Devolved Budgetary Control scheme have improved our management of cash limited budgets.

Budget Assumption	Financial Standing and Management
9. The strength of the financial information and reporting arrangements.	The Council has strong internal and external reporting standards. Quarterly management reports are made to the Cabinet. These procedures have allowed firm management of any projected overspends in the past. These reports have been enhanced with detailed financial commentary and clear direction with regards to in-year virements which aids transparency and full scrutiny.
10. The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.	The Council's virement and carry forward rules are clear. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves. The Council's Devolved Budgetary Control scheme gives managers flexibility to manage budget variations within their services. Service overspends may be clawed back from future budgets.
11. The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are considered adequate. The Council does self-insure on small claims and has reserves to meet any excesses relating to claims. No uninsured risks have been identified.
12. The approach to financing the maintenance programme.	The Council has £600k built into the base revenue budget to fund the annual maintenance budget of the property portfolio. The maintenance schedule of planned commitments has been established for 2018/19 and will be reviewed by the Asset Management Working Group on an annual basis.

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

3. ADEQUACY OF RESERVES AND BALANCES

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

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

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

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

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

GENERAL (WORKING) BALANCES – CALCULATION OF OPTIMUM LEVEL

There are two approaches for deciding the optimum level of working balance. One approach is to apply a percentage range to the Net Budget Requirement, currently assessed as between 5% and 10% or a level between £0.721m and £1.443m. The alternative is a level based upon a risk assessment of the budget. In 2018/19 the Section 151 Officer has used a risk based approach to assess the appropriate level of general balances.

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

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

	Area of Risk	Explanation
1.	Inflationary Pressures	Historically the cost of pay awards has caused major variations to budget estimates. The National Employers have offered a 2% pay award per annum for the two years up to 2019/20. A further provision of £42,500 (0.50%) is recommended within the working balance to offset the risk of the offer not being accepted. Inflationary risks on other costs are a factor elsewhere. The Ubico contract is driven by fuel and pay increases and a provision of 1% on the 2018/19 General Fund contract value suggests a figure of £77,000 should be kept as a provision within the working balance.
2.	Pension Fund Changes	The 2016 triennial review has brought a degree of certainty to future pension costs for 2018-2020. These will not impact adversely on the Council in the next 24 months so no specific provision is required at this point. The Chief Finance Officer has recently agreed to pay the required secondary sum payments to the Local Government Pension Scheme

	Area of Risk	Explanation
		(LGPS) as an up-front payment for the next 2 years future liability (i.e. pay some of the liability up front which impacts on cash flow but does not represent an additional budgetary commitment). This will realise a base budget saving of £275,000 by 2019/20 as the Council will benefit from a greater assumed investment return.
3.	Planned savings measures	The Savings Strategy identifies £3.586m of savings targets to be delivered across 2018/19 to 2021/22. Slippage can occur and the Red Amber Green (RAG) system for identifying those work streams at risk of slippage within the Savings Strategy. Currently the strategy notes £100,000 of work streams considered 'amber' or 'red' for 2018/19 in terms of delivery and so these are accommodated within the working balance. The Council's base budget includes an annual target of £375k to recognise staff vacancy management which has been allocated out to cost centre managers which has ensured more transparency and ownership of the target. However, a smaller workforce coupled with reducing opportunities in a depressed public sector could impact on this budget principle and therefore a 10% allowance, equivalent to £37,500 for this is included within the working balance.
4.	Interest rate variations	The current very low level of investment rates suggest that there is little down-side risk at present and no specific provision is recommended for 2018/19. However, the budget proposals determine that the Council will diversify some of its cash balances away from fixed term deposits towards pooled property funds and multi-asset funds such as equities and bonds.
5.	Volume variations demand led	During the economic downturn the Council was vulnerable to drops in key income streams, e.g. planning fees, car parking income, etc. The budget projections reflect current levels of income however the risks associated with volatility should be better reflected particularly given recent fluctuations in planning, car parking and building control income. As such a 2% provision amounting to £236,000 to reflect the volatility is recognised in the working balance.
6.	New services/ initiatives	In October 2017, a new waste and recycling scheme was introduced across the Borough. The roll-out has seen increases of around 25% of kerbside recycling collections. This exceeds the projections made as part of the project / financial parameters. The Council has been advised that considerable fluctuations occur in recycling / waste habits during the first few months of any significant change to the service. It is therefore prudent not to make longer term assumptions until patterns have been embedded. It is important to effectively analyse whether the levels will be sustained, and where the recyclate now being collected is coming from (landfill waste or other recycling facilities). To this end a financial provision should be made to ensure collections are maintained to the expected standard during this interim period. As such a provision amounting to £200,000 to reflect the volatility is recognised in the working balance.
7.	Risk of litigation contingency	The level of risk associated with litigation is considered to be reducing over time however risk does still remain and as such a provision of £200,000 is retained. The council holds a separate earmarked reserve for planning appeals which is also available if required.
8.	Emergency planning	Whilst the government will step in to assist in the event of a major disaster there are thresholds at which assistance is given. This threshold is 0.2% of the net budget. Financial support is then given at 85% of costs above this level. Provision of £1m would cost this Council £170,000; the cash flow impact would need to be handled from invested cash balances.
9.	Financial guarantees/ contingent liabilities	Run-off of the old Municipal Mutual Insurance claims has begun but no provision is required at this stage.

	Area of Risk	Explanation
10.	Grant income	No new grant streams are anticipated in the 2018/2019 budget. No risks have been identified around existing grant flows that require specific provision in the working balance.
11.	Business rates retention	As part of the pooling arrangement, the Council could be required to contribute to large scale revaluations such as occurred with Virgin Media via Tewkesbury Borough Council. Provision for such occurrences should therefore be included within the working balance and as such £150,000 is estimated. The council holds a separate earmarked reserve for Business Rates Retention which is also available if required.
12.	The Cheltenham Trust	A contingency provision of £150,000 be held in general balances for the Trust to draw down; this will provide for short-term losses incurred by the Trust as they go through re-organisation and transformation. The Cabinet have requested that the Trust look at their business operations, including those services that are currently protected, to ensure it is fit for purpose and commercially focussed.
13.	Cheltenham Transport Plan	In February 2014, Council approved an allocation of £50,000 towards a mitigation fund for the Cheltenham Transport Plan. This allocation is now held within the working balance.

The assumptions above total £1,313,000 suggesting that we strive to maintain a working balance around this figure during 2018/19. The Council should aim to not allow the working balance to fall below this figure. The current working balance is £1,408,591.

EARMARKED RESERVES

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

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

	Balance projected at 31st March 2018 £
Budget Strategy (Support) Reserve	1,151,848
New Initiatives Reserve (Transformation)	595,914
Pension and Restructuring Reserve	200,000
	1,947,762

In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a ‘budget strategy (support) reserve’, to provide greater resilience. This reserve secures the Council against short-term challenges which we know we will encounter in the coming years such as the one-off drop in business rates income due to redevelopment, and the delay in securing a revenue stream from the North Place development. Given the late impact of the pay offer on the Ubico contract fee and the reported Valuation Office errors on the finance settlement, the budget proposals rely on a significant drawdown of this reserve in 2018/19, which will need to be replenished.

I have reviewed the revenue reserves and propose the transfers as identified in Appendix 6. I also consider that the financial reserves and working balance as proposed in these papers are adequate to fund spending plans for 2018/2019 and give a firm basis for the years 2019-2022. However, given the significant cuts proposed by Central Government in the future, I recommend that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

4. OVERALL CONCLUSION

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

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

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

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

PAUL JONES
Chief Finance Officer (Section 151 Officer)

NET GENERAL FUND FINAL BUDGET 2018/19

GROUP Projected cost of 'standstill' level of service	2017/18 ORIGINAL £	2017/18 REVISED £	2018/19 ORIGINAL £
Chief Executives Directorate	7,629,723	8,755,279	8,503,767
Environmental & Regulatory Services	3,130,023	2,898,238	2,395,051
Resources Directorate	5,050,983	5,113,530	4,691,248
Programme Maintenance	0	0	600,000
Bad debt provision	20,000	20,000	20,000
	15,830,729	**16,787,047**	**16,210,066**
Capital Charges	(1,337,500)	(1,573,900)	(1,474,800)
Interest and Investment Income	407,500	389,200	364,500
Use of balances and reserves	(164,127)	(186,062)	754,196
Savings / Additional income identified - Appendix 5			(716,500)
Proposed Growth recurring - Appendix 4			204,200
Use of Budget Strategy Support reserve	(882,205)	(882,205)	(913,058)
NET BUDGET	**13,854,397**	**14,534,080**	**14,428,604**
Deduct:			
Revenue Support Grant	(544,030)	(544,030)	0
National Non-Domestic Rate	(3,046,506)	(2,707,500)	(3,303,474)
National Non-Domestic Rate - 2015/16 surplus / deficit	303,960	303,960	0
National Non-Domestic Rate - 2016/17 surplus / deficit	140,464	140,464	235,484
National Non-Domestic Rate - 2018/19 surplus / deficit		(510,227)	510,227
National Non-Domestic Rates - S31 Grants	(676,296)	(1,156,858)	(1,474,787)
Local Counci Tax Support- Transitional grant	(74,197)	(74,197)	0
New Homes Bonus	(1,750,000)	(1,777,900)	(1,754,530)
Less: Grant allocated to Parishes (council tax support)	10,269	10,269	5,169
Collection Fund Contribution	(128,000)	(128,000)	(172,000)
	(5,764,336)	**(6,444,019)**	**(5,953,911)**
NET SPEND FUNDED BY TAX	**8,090,061**	**8,090,061**	**8,474,693**
Band 'D' Tax	£197.12	£197.12	£203.01
Increase per annum			£5.89
Increase per week			£0.49
% Rise			2.99%
Gross Collectable Tax Base	41,560.81	41,560.81	42,166.87
Collection Rate %	98.75%	98.75%	99.00%
Net tax base	41,041.30	41,041.30	41,745.20

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PROPOSALS FOR GROWTH **Appendix 4**

Ref	Division	Project Name	Description	2018/19 £	2019/20 £	2020/21 £	Capital Costs 2018/19 £
	SUPPORTED GROWTH						
1	Commissioning	In-house Strategic Clienting	Enhanced contribution to support the in-house strategic client role overseeing the delivery of the waste and recycling and other environmental services.	30,000	30,000	30,000	
2	Property & Asset Management	Staffing	Additional budget to fund the establishment of a 'fit for purpose' team to support delivery of (i) the councils aspirations for property investment portfolio growth; (ii) actions arising for the 'asset review' (December 2017 Cabinet) and (iii) major capital schems.	45,000	45,000	45,000	
3	Place & Economic Development	Events Programme	Marketing / Promotional activities (including events) budget to expand the offer, which will contribute to the local economy and add further diversity to the festival and events calendar.	50,000	50,000	50,000	
4	General Data Protection Requirements (GDPR)	Commissioing of a Data Protection Officer (new statutory role) from One Legal	The new GDPR requirmnets require the identification of a new Data Protection Officer post with responsibilities for application of new, more onerous legislation around personal data geared to ensuring people have the right to anonimity in the provision of personal data to the council. Post to be shared with Tewkesbury Council and Gloucestershire council.	17,000	17,000	17,000	
5	General Data Protection Requirements (GDPR)	Mass registation of members with the Information Commissioner Office (ICO).	Registration of elected members - 40@£55 each to ensure compliance with new legislation wef 25/5/18	2,200			
				144,200	**142,000**	**142,000**	
	SUPPORTED ONE OFF GROWTH (FUNDED FROM HOMELESSNESS RESERVE)						
6	Place & Economic Development	Contactless donation points	Contactless donation points to install in the town, with the money raised to support homelessness charities	20,000			
				20,000	**-**	**-**	

Ref	Division	Project Name	Description	2018/19 £	2019/20 £	2020/21 £	Capital Costs 2018/19 £
	SUPPORTED ONE OFF GROWTH (FUNDED FROM NEW HOMES BONUS)						
7	Place & Economic Development	Gloucester, Cheltenham and Tewkesbury Joint Core Strategy (JCS)	The JCS was adopted at the end of 2017. Through the examination key areas of review were identified which the JCS councils will proceed with over 2018, including a retail review and assessment of housing shortfall. The JCS councils currently commit £60,000 per annum to the JCS programme. A full analysis is currently being undertaken to provide a profiled costing schedule. It is anticipated that additional resources of up to £60,000 will be required due to the costs incurred in the extensive JCS examination during 2018/19.	60,000			
				60,000	**0**	**0**	**-**
	SUPPORTED GROWTH (FUNDED FROM CAPITAL RESERVE/RECEIPTS)						
8	Democracy	Replacement of Audio Visual system in the council chamber	Provision for the replacement of the audio visual system in the council chamber plus the potential to improve access to public meetings using webcasting technologies linked via social media and/or the council's website. A member working group has been considering the options. A final decision will be taken by cabinet following the tender process				75,000
9	Place & Economic Development	Off Street Car Parking Infrastructure Investment	Additional capital funding for investment in infrastructure improvements to the Council's off-street car parks, aligned to the actions proposed in the Car Parking Strategy approved by Cabinet in June 2017.				400,000

Ref	Division	Project Name	Description				Capital Costs
				2018/19	2019/20	2020/21	2018/19
				£	£	£	£
10	Place & Economic Development	Community Infrastructure Levy (CIL)	A CIL examination will take place early 2018. Costs for 2017 were facilitated from the JCS programme to facilitate consultations, officer support and consultants analysis. During 2017 additional consultancy support was required to prepare the JCS councils for the forthcoming examination. Further costs are anticipated for the implementation of CIL software and licensing which is anticipated to be £28,000. Detailed analysis is currently underway to be clear on the financial issues to support the implementation of CIL, this is being set within the context of the CIL Regulations, which provide for Charging Authorities to recover their administrative costs from CIL income, up to a total of 5%, including set up costs of CIL, fees involved in setting the charge and any training - defrayed against the first 3 years income				28,0[illegible]
11	One Legal	Case Management system	The new Case Management System, when fully implemented, should deliver staffing efficiencies of between 5% - 10% which would free up resource to take on additional third party work as envisaged by the Business Plan and the anticipated increase in third party income would be estimated to exceed, over the three year period, the procurement cost		(30,000)	(30,000)	80,000
				-	**(30,000)**	**(30,000)**	**583,000**

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SAVINGS STRATEGY						
	2017/18	2018/19	2019/20	2020/21	2021/22	Total 2018/19 to 2021/22
Total Current MTFS Funding Deficit	**2,016,986**	**1,629,558**	**2,095,593**	**1,470,864**	**611,034**	**5,807,049**
1. Place and Economic Development						
Transformation of Regulatory & Environmental Services delivery		157,500	100,000			257,500
Review of fees & charges and income generation opportunities	50,000	50,000	50,000	50,000	50,000	200,000
Car Parking - volume analysis	200,000					
Creation of the Business Improvement District (BID)	16,000					
Growth through increase in business rates and place-making			350,000	450,000	200,000	1,000,000
Total	**266,000**	**207,500**	**500,000**	**500,000**	**250,000**	**1,457,500**
2. Organisational Change						
Corporate Overheads - reduction in costs	8,300					
Commissioning - reduction in cost of service	50,000					
Revenues and Benefits restructure		80,000				80,000
Hire of depot for TBC co-mingling contract	22,000					
Saving from Single Advice Contract	25,000					
Increase Green Waste by £4 and increase Discount to £3	40,000					
L&C Review - trust savings			100,000	93,500		193,500
Transformation and Modernisation				65,000	200,000	265,000
Total	**145,300**	**80,000**	**100,000**	**158,500**	**200,000**	**538,500**
3. Finance and Assets						
Review of Internal Audit and Corporate Fraud Unit	43,000					
Net increase in charges to Housing Revenue Account / CBH from One Legal	23,900					
Procurement savings	60,000					
Property Services - reduction in cost of service	25,000					
Business Rates additional target through pooling	200,000		50,000			50,000
Treasury Management activity		240,000				240,000
LGPS up-front payment discount		114,000	161,000			275,000
Additional Depot rent - Ubico		25,000				25,000
Commercial rationalisation of existing assets, investment portfolio income generation, treasury management activity and finance related initiatives		50,000	300,000	350,000	300,000	1,000,000
Total	**351,900**	**429,000**	**511,000**	**350,000**	**300,000**	**1,590,000**
4. Use of Reserves						
a) Use of one-off payment holiday on VRP	400,000					0
b) MRP saving through change in methodology	95,000					0
* Use of Budget Strategy (Support) Reserve	882,205	913,058	984,593	462,364		2,360,015
L&C Review - trust savings deferred	150,500					
* B/Fwd deficit funded by Budget Strategy (Support) Reserve in previous year	(273,919)					0
Total	**1,253,786**	**913,058**	**984,593**	**462,364**	**0**	**2,360,015**
Total Identified Savings/Income	**2,016,986**	**1,629,558**	**2,095,593**	**1,470,864**	**750,000**	**5,946,015**
Shortfall / (Surplus) against MTFS Funding Gap	**0**	**0**	**0**	**0**	**(138,966)**	**(138,966)**

NB: traffic lights denote risk associated with delivery
* denotes decisions already made by Cabinet/Council

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		Purpose of Reserve	31/3/17	2017/18 Movement Revenue	2017/18 Reserve Re-alignment	31/3/18	2018/19 Movement Revenue	Proposals to Support 2018/19 Budget	2018/19 Movement Capital	31/3/19
			£	£	£	£	£	£	£	£
	Other									
RES002	Pension and Restructuring Reserve	To fund future pension and restructuring liabilities	0	-200,000		-200,000	-70,200			-270,200
RES003	Economic Development & Tourism Reserve	To fund future economic and tourism studies	-104,200	100,000		-4,200				-4,200
RES006	Cultural Development Reserve	To fund future arts facilities/activity	-22,361			-22,361				-22,361
RES008	House Survey Reserve	To fund cyclical housing stock condition surveys	-78,616	36,500		-42,116	36,500			-5,616
RES026	Social Housing Marketing Assessment (SHMA) Reserve	To fund Social Housing Marketing Assessment work	-43,534	-2,500		-46,034	-2,500			-48,534
RES009	Twinning Reserve	Twinning towns civic visits to Cheltenham	-5,579			-5,579				-5,579
RES010	Flood Alleviation Reserve	To fund future flood resilience work, delegated to the Flood working group for allocation	-122,127	4,227		-117,900	50,000			-67,900
RES014	GF Insurance Reserve	To fund risk management initiatives / excess / premium increases	-91,606			-91,606				-91,606
RES016	Joint Core Strategy Reserve	To fund Joint Core Strategy	-18,780			-18,780				-18,780
RES018	Civic Pride Reserve	To pump prime civic pride initiative / match funding	-301,188	105,100		-196,088	105,100			-90,988
RES020	Ubico Reserve	Replacement fund	-94,000			-94,000				-94,000
RES021	Cheltenham Leisure & Culture Trust	To cover unforseen deficits in operations within new trust	-120,000	120,000		0				0
RES022	Homelessness Reserve	To cover future homelessness prevention costs	-41,100			-41,100		20,000		-21,100
RES023	Transport Green Initiatives Reserve	To fund Transport Green Initiative Schemes	-33,825			-33,825				-33,825
RES024	New Initiatives reserve	To fund 2020 Vision transformation programme	-850,000	254,086		-595,914	120,200			-475,714
RES025	Budget Strategy (Support) Reserve	To support budget strategy	-2,034,053	882,205		-1,151,848		913,058		-238,790
			-3,960,968			**-2,661,350**				**-1,489,192**
	Repairs & Renewals Reserves									
RES201	Commuted Maintenance Reserve	Developer contributions to fund maintenance	-203,207	59,000		-144,207	59,000			-85,207
RES204	I.T. Repairs & Renewals Reserve	Replacement fund	0	-37,200		-37,200	-50,000			-87,200
RES206	Delta Place Reserve	maintenance fund	-100,000	-100,000		-200,000	-100,000			-300,000
RES205	Property Repairs & Renewals Reserve	20 year maintenance fund	-1,287,137	521,982		-765,155				-765,155
			-1,590,345			**-1,146,563**				**-1,237,563**
	Equalisation Reserves									
RES101	Rent Allowances Equalisation	Cushion impact of fluctuating activity levels	-110,000	-30,100		-140,100	-41,000			-181,100
RES102	Planning Appeals Equalisation	Funding for one off apeals cost in excess of revenue budget	-207,932			-207,932				-207,932
RES104	Interest Equalisation	To cover any additional losses arising in the value of Icelandic deposits and/or to reduce the borrowing arising from the capitalisation of the losses	0			0				0
RES105	Local Plan Equalisation	Fund cyclical cost of local plan inquiry	-107,230			-107,230				-107,230
RES106	Elections Equalisation	Fund cyclical cost of local elections	-137,100			-137,100				-137,100
RES107	Car Parking Equalisation	To fund fluctuations in income from closure of car parks	-330,000			-330,000	-400,000		400,000	-330,000
RES108	Business Rates Retention Equalisation	To fund fluctuations in income from retained business rates	-355,642	-411,783		-767,425	112,254			-655,171
RES109	Cemetery Income equalisation reserve	Additional Crematoria income to fund 2nd chapel build scheme	0	-373,550		-373,550	-373,550			-747,100
			-1,247,904			**-2,063,337**				**-2,365,633**
	Reserves for commitments									
RES301	Carry Forwards Reserve	Approved budget carry forwards	**-376,700**	376,700		**0**				**0**
	CAPITAL									
RES402	Capital Reserve - GF	To fund General Fund capital expenditure	**-269,778**	-236,400		**-506,178**	-200,000		115,500	**-590,678**
	TOTAL EARMARKED RESERVES		**-7,445,695**			**-6,377,428**				**-5,683,066**
	GENERAL FUND BALANCE									
B8000 - B8240	General Balance - RR	General balance	-1,408,591			-1,408,591				-1,408,591
			-1,408,591			**-1,408,591**				**-1,408,591**
	TOTAL GENERAL FUND RESERVES AND BALANCES		**-8,854,286**	**1,068,267**	**0**	**-7,786,019**	**-754,196**	**933,058**	**515,500**	**-7,091,657**

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GENERAL FUND CAPITAL PROGRAMME

Code	Funding	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
		RESOURCES						
		Property Services						
CAP601/2/3	PB/PPMR/HCR/GCR/R	Crematorium : Constructon of new Chapels		7,008,100	8,203,236	-	-	-
CAP505	GCR	Town Centre acquisitions	Works on Shopfitters site	-	47,406	-	-	-
CAP503	GCR	Bus Station	Demolition of existing concrete bus shelter and waiting room and provision of services to supply new café facility	-	-	-	-	-
CAP506	GCR	Enterprise Way Phase 2	Industrial units to complete development	-	60,000	525,000	-	-
CAP700	PB/GCR	Enhancing Investment Property Portfolio	To increase the Council's property portfolio.	10,200,000	9,615,000	-	-	-
CAP605	PB	Loan to St. Margarets' Hall Trust	Towards cost of capital works		50,000			
CAP402	P	West Cheltenham \ Cyber Hub	Infrastructure to facilitate cyber hub	-	1,000,000	21,000,000	-	-
		Financial Services						
CAP010	GCR	GO ERP	Development of ERP system within the GO Partnership	-	14,700	-	-	-
		ICT						
CAP026	GCR/HCR	IT Infrastructure	5 year ICT infrastructure strategy	100,000	133,600	100,000	100,000	100,000
CAP028	HCR	Telephony	Infrastructure plus the handsets/one off licences	-	16,400	-	-	-
		CHIEF EXECUTIVE						
		Leisure & Culture						
CAP126	GCR	Town Hall redevelopment scheme	Preliminary work, subject to Council approving a detailed scheme and a business case	360,000	400,000	-	-	-
CAP127	PPMR/P/GCR/PB	Sports and Play Hub Phase 1	Capital improvements to the leisure centre changing rooms. Extension of gym facilities and creation of new splashpad area. Scheme in partnership with The Cheltenham Trust	-	2,508,228	-	-	-
		Waste & Recycling						
CAP301	PB/GCR	Vehicles and recycling equipment	Replacement vehicles and recycling equipment	3,063,000	3,259,000	1,000,000	1,000,000	400,000
CAP303	C	Recycling receptacles	Heavy duty blue recycling bags, sacks and boxes	-	200,000	-	-	-
		Other						
CAP304	C	Other vehicles	Replacement vehicle for car park income collectors	-	11,050	-	-	-
		ENVIRONMENTAL & REGULATORY SERVICES						
CAP152	GCR	Public Realm - Promenade pedestianised area	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone.	46,900	44,500	-	-	-
CAP154	GCR	Public Realm - St Mary's Churchyard	Public Art Scheme	39,600	56,900	-	-	-
CAP155	P	Pedestrian Wayfinding	GCC Pedestrian Wayfinding	-	48,000	-	-	-
CAP156	S106	Hatherley Art Project	Public Art - Hatherley	-	11,800	-	-	-
CAP157	S106	King George V Public Art Project			-			
CAP204	GCR	Public realm - Improvements to Grosvenor Terrace Car Park (Town Centre East)	Improving linkages to the High Street, signage and decoration.	110,500	115,500	-	-	-
CAP201	GCR	CCTV	Additional CCTV in order to improve shopping areas and reduce fear of crime	300,000	300,000	50,000	50,000	50,000
CAP202	GCR	Car park management technology	The upgrade of the car park management technology at selected sites such as Regent Arcade is essential as the existing management systems and hardware have now reached the end of their life cycle. From 2017/18 Revised Budget consolidated with Car Park Investment scheme.	37,100	-		-	-
CAP205	GCR	Public Realm Improvements - High St	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	406,000	450,700	-	-	-
CAP205	GCR	Public Realm Improvements fees	High Street & Town Centre public realm improvement including repaving work in the High Street and town centre	-	204,000			

GENERAL FUND CAPITAL PROGRAMME

Code	Funding	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
CAP206	GCR	Car Park Investment	Car park strategy priority actions: improvements to Regent Arcade payment system and refresh payment machines across the estate.	250,000	287,100	-	-	-
		Housing						
CAP221	BCF	Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.	500,000	500,000	500,000	500,000	500,000
CAP222	GCR	Adaptation Support Grant	Used mostly where essential repairs (health and safety) are identified to enable the DFG work to proceed (e.g. electrical works). Or where relocation is the more cost effective solution.	15,000	15,000	15,000	15,000	15,000
CAP223	PSDH	H&S, vacant property & renovation grants	Assistance available under the council's Housing Renewal Policy	175,200	374,000	-	-	-
CAP224	LAA	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems	58,400	58,400	-	-	-
CAP225	PB/HCR	Housing Enabling - St Paul's Phase 2	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation	-	-	-	-	-
CAP227	C/S	Housing Enabling - Garage Sites	Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes	-	-	-	-	-
CAP228	S106	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Housing Corporation	670,000	669,300	-	-	-
		Parks & Gardens						
CAP101	S106	S.106 Play area refurbishment	Developer Contributions	50,000	50,000	50,000	50,000	50,000
CAP102	GCR	Play Area Enhancement	Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards	80,000	80,000	80,000	80,000	80,000
CAP125	GCR	Pittville Park play area	Investment in the play area	12,500	12,500	-	-	-
CAP501	GCR	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	559,600	567,900	-	-	-
		BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME:						
	GCR	Town Hall redevelopment (£1.8m)	Subject to Council approving a detailed scheme and a business case					
	GCR	Public Realm improvements (£1.8m)	Pending the completion of the Cheltenham Transport Plan process					
	C	One Legal Case Management system (£80k)	The new Case Management System, when fully implemented, should deliver staffing efficiencies of between 5% - 10% which would free up resource to take on additional third party work as envisaged by the Business Plan and the anticipated increase in third party income would be estimated to exceed, over the three year period, the procurement cost					
	R	Improvements to off-street car parking (£400k)	Additional capital funding for investment in infrastructure improvements to the Council's off- street car parks, aligned to the actions proposed in the Car Parking Strategy approved by Cabinet in June 2017. Funded from car parking earmarked reserve.					

GENERAL FUND CAPITAL PROGRAMME

Code	Funding	Scheme	Scheme Description	Budget 2017/18 £	Revised Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £
	C	Replacement of Audio Visual system in the council chamber (£75k)	Replacement of the audio visual system in the council chamber plus the potential to improve access to public meetings using webcasting technologies linked via social media and/or the council's website. Funded from capital reserve					
	C	Community Infrastructure Levy (CIL) (£28k)	Costs anticipated for the implementation of CIL software and licensing. Funded from capital reserve.					
		TOTAL CAPITAL PROGRAMME		**24,041,900**	**29,364,220**	**23,320,000**	**1,795,000**	**1,195,000**
		Funded by:						
	BCF	Better Care Fund (DFG)		500,000	500,000	500,000	500,000	500,000
	LAA	LAA Performance Reward Grant		58,400	58,400	-	-	-
	LAA	LAA Grant - Warm & Well		-	-	-	-	-
	P	Partnership Funding		-	1,257,000	21,000,000	-	-
	PSDH	Private Sector Decent Homes Grant		175,200	374,000	-	-	-
	PPMR	Property Planned Maintenance Reserve		474,500	634,500	-	-	-
	S106	Developer Contributions S106		759,600	731,100	50,000	50,000	50,000
	HCR	HRA Capital Receipts		-	36,400	-	-	-
	GCR	GF Capital Receipts		5,403,394	5,795,536	1,357,000	832,000	645,000
	PB	Prudential Borrowing		16,670,806	19,393,234	413,000	413,000	-
	R	Revenue (RCCO)/other revenue reserves			373,000			
	C	GF Capital Reserve		-	211,050	-	-	-
				24,041,900	**29,364,220**	**23,320,000**	**1,795,000**	**1,195,000**

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Property Name	Description	2018/19
		£
All Properties (H&S)	Consequential works arising from Fire risk assessment reports	20,000
All Properties (H&S)	Consequential works arising from legionella risk assessments/ inspections	12,000
All Properties (H&S)	Consequential works arising from asbestos risk assessments/ inspections	10,000
All Properties (H&S)	Installation of safety filming to doors and windows	3,000
All Properties (H&S)	Fixed Wiring inspections/ EIC Certification programme	15,000
All Properties (H&S)	Contingency fund for compliance/ H&S remedial work	10,000
All Properties (H&S)	Consequential works arising from Statutory Inspections	15,000
All Properties (H&S)	Repairs to car parks pot hole and other misc repairs	10,000
All Properties (Energy)	Energy reduction schemes LED, controls, insulation ect	10,000
Town Hall	Renew intruder alarm heads	1,500
Town Hall	Roof repairs	20,000
Town Hall	Remedial repairs to CCTV system	2,000
Town Hall	Remedial repairs to cellar basement to prevent leaking	3,500
Pump Room	Redecorations to external elevations at high level	35,000
Pump Room	Remodel RWG outlet to Loggia where water staining and make good decorations	8,000
Pump Room	Remedial repairs to ornate internal plasterwork to ceiling	5,000
Pump Room	Rebuild retaining wall outside of kitchen	3,500
Pump Room	Investigate deflection to first floor east room	1,800
Pump Room	Redecorations to reception area and floor covering renewal	5,000
Pump Room	Replace CCTV camera to rear car park to capture whole area	1,200
Pump Room	Redecorations to external high-level windows inc., minor repairs	25,000
Municipal Offices	Overhaul windows - will require access equipment	25,000
Municipal Offices	FRA upgrade to doors	16,000
Municipal Offices	Renew reception lobby flooring	15,000
Municipal Offices	Renew defective main roof skylights (by lift motor room)	4,000
Municipal Offices	Provision of additional security to the basement area and fire escape stairs	3,000
Art Gallery & Museum	Improvements to fire compartmentation form FRA report	35,000
Arle Nursery	Install safety filming to glazing (legislation)	10,300
Arle Nursery	Ongoing phased replacement of irrigation pipework.	6,000
Arle Nursery	Reinstate automatic watering facility to Tunnels 2, 3 & 4.	3,000
Arle Nursery	Repairs / refurbishment of Polythene covering / timber frame	2,500
Pittville Recreation Centre	Gym / Dance studio AHU (£60k inadequate to complete works)	10,000
Pittville Recreation Centre	Replace damaged fencing to CHP external radiator	4,000
Pittville Recreation Centre	Tree works to Hudson Street (combined with Green Space contribution)	22,000
Pittville Recreation Centre	Cathodic protection to Basement area (ongoing structural repair works)	20,000
Pittville Recreation Centre	Repairs to Wet changing areas floor tiling	12,000
Pittville Recreation Centre	General redecorations	5,000
Pittville Recreation Centre	Repairs to poolside tiling	10,000
Pittville Recreation Centre	Main hall - Seat replacements (ongoing)	9,000
Cemetery & Crematorium	Road resurfacing programme	20,000
Cemetery & Crematorium	Repairs and decoration to grade II Arbour houses	15,000
QE11 Playing Field	Annual leachate removal from catch-pit	1,500
Honneybourne railway bridges	Remedial repairs to bird netting	6,000
Pilley footbridge	Remedial structural repairs and re-painting	110,000
Burrows Pavillion	Replacement of non-slip floor coverings in shower area/s	3,500
Cenotaph War memorial	DOF Stone cleaning	4,200
St Marys Mission	Repainting and remedial repairs to rendering	3,500
Long Gardens	Restoration of stone base to lamp standards	8,000
Total		**£ 600,000**

CHELTENHAM
BOROUGH COUNCIL

INVESTORS IN PEOPLE

Pay Policy Statement

For all Employees at

Cheltenham Borough Council

2018/2019

Title: Pay Policy Statement
Issued by: **Publica HR Team on behalf of CBC**
First Issued: 31 March 2012 **last updated**: February 2018 **next update:** February 2019

1. Purpose

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

1.2. The Statement sets out Cheltenham Borough Council's (The Council) policies relating to the Pay of its workforce for the financial year 2018-19, in particular: -

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

2. Definitions

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

- **Chief Officers** as detailed in paragraph 7.1 of the document.
- **Lowest paid employees** of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1st April 2018 (pay award pending) the Grade A band will be from £15,014.00 to £15,375 per annum, made up of 4 incremental pay points.
- **Employees who are not Chief Officers** - refers to all staff not covered under the Chief Officer group detailed above.

3. Pay Framework & Remuneration Levels

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

4. Responsibility for Decisions

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

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

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

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

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

- Pension
- Occupational Sickness Scheme
- Maternity Scheme
- Overtime

5. Grading Framework & Salary Grades

5.1. Grading Framework

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

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

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

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

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

5.2. Shared Posts/Lead Employer

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

5.3. Salary Grades

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

6. Electoral Registration and Returning Officer

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

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

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

The Electoral Registration and Returning Officer for the Council is the Chief Executive.

7. Remuneration - level & element

7.1 Chief Officers

Chief Executive	Director Level Band 1	£105.000 - £115,000 p.a.
Managing Director/Director	Director Level Band 3	£68,066 - £78,663 p.a.
Director	Director Level Band 4	£56,317 - £64,251 p.a.

7.2. Non Chief Officers

Employees	11 Grades A to K (see appendix A)

7.3. New Starters Joining the Council

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

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

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

7.3. Lowest Paid Employees

Lowest paid employees of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1st April 2018 (pay award pending) the Grade A band will be from £15,014.00 to £15,375 per annum, made up of 4 incremental pay points.

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

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

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

The Council aims to pay no more than median salary levels when looking at market rates, and in the case of senior roles it will seek to maintain pay differentials well within the parameters recommended by the pay and pensions review (1:20). For the Council, using the salary information as at 1st April 2018 the current ratio of *highest paid to lowest paid is 1:7. The ratio between the *highest paid salary and the median paid salary of the Council's workforce is 1:4.

Lowest Paid Employee (Top of current salary band Grade A) (Excludes Living Wage Allowance)	£15,014 (pay award pending)
Mean Paid Employee (Average salary band of all employees up to & including Chief Officers)	£31,411 (pay award pending)
Median Paid Employee (Middle Salary band value of all employees up to & including Chief Officers)	£25,951 (pay award pending)
Highest Paid Employee	£109.000 (pay award pending)

7.5. Bonuses

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

7.6. Performance Related Pay

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

7.7. Pay Protection

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

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

7.8. Severance Payments

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

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

<u>The amount of redundancy pay will be calculated as –</u>

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

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

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

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

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

http://www.lgps.org.uk

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

http://www.gloucestershire.gov.uk

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

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

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

7.10. Early/Flexible Retirements

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

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

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

7.11. Honorarium Payments

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

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

Or

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

7.12. Acting up Allowances

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

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

7.13. Market Forces Supplement

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

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

8. Reimbursement of Expenses

8.1 Travel & Subsistence

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

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

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

8.2 Disturbance Allowance

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

8.3. Relocation Expenses

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

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

8.4. Professional Fees & Subscriptions

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

9. Re-employment of Former Council Employees

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

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

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

11. Trade Union Recognition and Facility Time

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

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

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

Activity/Duty	Estimated Hours per week	No of Reps	Total Estimated time per business year.*
Case Management & Advice to Membership	Average 1 hours per week	2	94 hours
Training	Average 0.5 hours per week	2	47 hours
Health and Safety	Average of 1 hours per week	2	94 hours
Corporate meetings, TU meetings and prep time	Average 0.5 hours per week	2	47 hours
Estimated Total Hours			**282 hours**
Estimated Average Total Hours per TU Rep Per Week	**3 hours per week**		

*business year assumes TU reps each have 25 days annual leave. Calculation based on 47 weeks per year)

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

12. National Minimum Wage/Living Wage

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

The NMW rates from 1 April 2018 are:

- £7.38 (per hour) for workers 21 years of age and over
- £5.90 (per hour) 18 - 20 years of age
- £4.20 (per hour) for 16-17 years of age, who are above school leaving age but under 18 years of age

The National Living Wage

From **1 April 2018** all workers aged 25 and over are legally entitled to at least £7.83 an hour.

The Council's comparative hourly rate is Grade A scp 7, £7.83.

Grade A is used as a stepping stone grade from Apprentice to Trainee role. The employees on Grade A are usually under 21. The majority of the Council's employees are on Grade C scp 14, £8.70 and above.

The UK Living Wage

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

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

The Living Wage rates for 2018 are:

- £8.75 (per hour) UK rate outside London
- £10.20 (per hour) UK rate for London

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

13. Other operational/non-operational pay and conditions

Other pay and conditions in operation, as follows:

- Shift premium
- Stand by and call out payments
- Premium for bank holiday/public holiday working

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

14. Publication and access to information

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

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For more information about this Statement and/or its content please contact the Publica HR & Payroll Business Centre Team (acting on behalf on behalf of the Council) on 01242 77 5164 or email jobs@cheltenham.gov.uk

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

Cheltenham Borough Council

APPENDIX 9ii

Pay Scales April 2018 (pay award pending)

SCP GRADE	GRADE	NEW ANNUAL SALARY APRIL 18 - pay award pending	MONTHLY SALARY	WEEKLY Weekly RATE 37 hr week	HOURLY Hourly RATE 37 hr week	JE Points Score
006	Grade A	£15,014	£1,251.17	£287.94	7.78	0-294
007	Grade A	£15,115	£1,259.58	£289.88	7.83	
008	Grade A	£15,246	£1,270.50	£292.39	7.90	
009	Grade A	£15,375	£1,281.25	£294.87	7.97	
010	Grade B	£15,613	£1,301.08	£299.43	8.09	295-344
011	Grade B	£15,807	£1,317.25	£303.15	8.19	
012	Grade B	£16,123	£1,343.58	£309.21	8.36	
013	Grade B	£16,491	£1,374.25	£316.27	8.55	
014	Grade C	£16,781	£1,398.42	£321.83	8.70	345-394
015	Grade C	£17,072	£1,422.67	£327.41	8.85	
016	Grade C	£17,419	£1,451.58	£334.07	9.03	
017	Grade C	£17,772	£1,481.00	£340.84	9.21	
018	Grade D	£18,070	£1,505.83	£346.55	9.37	395-444
019	Grade D	£18,746	£1,562.17	£359.52	9.72	
020	Grade D	£19,430	£1,619.17	£372.64	10.07	
021	Grade D	£20,138	£1,678.17	£386.21	10.44	
022	Grade E	£20,661	£1,721.75	£396.24	10.71	445-494
023	Grade E	£21,268	£1,772.33	£407.89	11.02	
024	Grade E	£21,962	£1,830.17	£421.20	11.38	
025	Grade E	£22,658	£1,888.17	£434.54	11.74	
026	Grade F	£23,398	£1,949.83	£448.74	12.13	495-544
027	Grade F	£24,174	£2,014.50	£463.62	12.53	
028	Grade F	£24,964	£2,080.33	£478.77	12.94	
029	Grade F	£25,951	£2,162.58	£497.70	13.45	
030	Grade G	£26,822	£2,235.17	£514.40	13.90	545-594
031	Grade G	£27,668	£2,305.67	£530.63	14.34	
032	Grade G	£28,485	£2,373.75	£546.30	14.76	
033	Grade G	£29,323	£2,443.58	£562.37	15.20	
812	Grade H	£29,959	£2,496.61	£574.57	15.53	595-644
813	Grade H	£31,122	£2,593.52	£596.87	16.13	
814	Grade H	£32,284	£2,690.34	£619.16	16.73	
815	Grade H	£33,443	£2,786.91	£641.38	17.33	
722	Grade I	£34,111	£2,842.59	£654.20	17.68	645-694
723	Grade I	£35,428	£2,952.34	£679.45	18.36	
724	Grade I	£36,762	£3,063.53	£705.04	19.05	
725	Grade I	£38,082	£3,173.53	£730.36	19.74	
632	Grade J	£38,693	£3,224.45	£742.08	20.06	695-744
633	Grade J	£40,319	£3,359.95	£773.26	20.90	
634	Grade J	£41,948	£3,495.63	£804.49	21.74	
635	Grade J	£43,585	£3,632.07	£835.89	22.59	
542	Grade K	£44,431	£3,702.62	£852.12	23.03	745 +
543	Grade K	£46,437	£3,869.75	£890.59	24.07	
544	Grade K	£48,431	£4,035.94	£928.83	25.10	
545	Grade K	£50,434	£4,202.81	£967.24	26.14	

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Cheltenham Borough Council

Cabinet - 13th February 2018

Council - 19th February 2018

Housing Revenue Account - Revised Forecast 2017/18 and Budget Proposals 2018/19

Accountable member	**Cabinet Member for Finance, Rowena Hay**
Accountable officer	**Paul Jones, Chief Finance Officer (Section 151 Officer)**
Ward(s) affected	**All**
Key Decision	**Yes**
Executive summary	**This report summarises the Housing Revenue Account (HRA) revised forecast for 2017/18 and the Cabinet's budget proposals for 2018/19.**
Recommendations	**1. Note the revised HRA forecast for 2017/18.** **2. Approve the HRA budget proposals for 2018/19 (shown at Appendix 2) including a proposed rent decrease of 1% and changes to other rents and charges as detailed within the report.** **3. Approve the proposed HRA capital programme for 2018/19 as shown at Appendices 3 and 4.** **4. Delegate authority to the Section 151 Officer, in consultation with the Cabinet Member for Finance, to apply for a direction from the Ministry of Housing, Communities and Local Government to permit Discretionary Housing Payments to Council Tenants to be funded from the HRA if it appears probable that the annual Government allocation for the year will be exceeded (see paragraph 6.6 of the report).**

Financial implications	As contained in the report and appendices. **Contact officer: Paul Jones.** **E-mail: paul.jones@cheltenham.gov.uk** **Tel no: 01242 775154**
Legal implications	There are no specific legal implications arising from the report. **Contact officer: Peter Lewis** **E-mail: peter.lewis@tewkesbury.gov.uk** **Tel no: 01684 272012**

HR implications (including learning and organisational development)	There are no direct HR implications for the Council arising from this report. **Contact officer: Julie McCarthy (Publica Group Ltd)** **E-mail: *julie.mccarthy@cheltenham.gov.uk*** **Tel no: 01242 264355**
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.
Environmental and climate change implications	The budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings.

1. Introduction

The following amendments have been made to the interim budget report approved by Cabinet on 12th December 2017:-

- The revenue and capital forecasts for 2017/18 have been updated to incorporate latest information at 31st December 2017.
- The depreciation charge relating to dwellings has been increased for the current year and future years after further work on the new methodology referred to in paragraph 5.3 below.
- The ALMO management and maintenance fees and Council staff recharges to the HRA have been increased to reflect the current pay offer of 2% in April 2018 and April 2019.
- An additional appendix 5 is attached to the report which gives an overview of value for money within the HRA.

2. Background

2.1 The Council has previously approved a four year plan to mitigate the estimated loss of £6.7m in rent income during the four year period from April 2016 to March 2020, following the introduction of the Government's rent reduction policy (reducing rents by 1% per annum each year).

2.2 The plan demonstrates a balanced approach requiring CBH management and maintenance savings, a re-alignment of the capital programme and the use of revenue reserves.

3. Update on Housing Policy

3.1 **Rent Reduction**

Rents will again be reduced by 1% in April 2018 being the third year of the four year policy that commenced in April 2016 and will finish in March 2020.The Government has now confirmed that rent policy will then revert back to the previous guidelines of allowing annual increases of up to CPI + 1% per annum for the following 5 years before a further review.

3.2 **Universal Credit (UC)**

After significant delays to the introduction of UC, the full rollout began in Cheltenham on 6th December 2017. As at 25th January 2018 the number of live claims had increased to 163. It is estimated that up to 1,800 tenants will move to UC within the next 3 years, placing considerable pressure on rent arrears. CBH is conducting a proactive campaign to provide support and information to all tenants affected by these changes. The impact on arrears will be closely monitored and the budget proposals reflect an increasing provision for bad debts.

3.3 **Extension of Right to Buy / High Value Asset Sales**.

The Government has previously committed to extending Right to Buy to tenants in Housing Associations. The Government's intention was to pay for the extension to Housing Association tenants, in part, by a levy on local authorities funded by the sale of high value vacant properties. Properties sold would be replaced on a one-for one basis.

The November Budget included confirmation of a regional pilot scheme in the West Midlands to run for 12 months from July 2018. There remains significant uncertainty as to when a full rollout of this policy may take place and how the funding mechanisms will work. No provision has yet been made for the potential impact of this policy.

4. HRA Business Plan – Financial Projections

4.1 The 30 year HRA Business Plan has been updated to reflect:-

- The completion and financing of the current new build programme (finishing in 2018/19)
- Anticipated revenue outturn for 2017/18
- A refreshed assessment of the 30 year "need to spend" on existing stock for both capital and revenue expenditure. This includes budget provision for the refurbishment of "Cornish" properties in Pitman Road, Elmfield Avenue and Midwinter Avenue
- The impact of the recent announcement on rent guidelines for the 5 year period from April 2020 i.e. increasing at CPI + 1% p.a. Assuming CPI at the Government target of 2% p.a. this would generate additional resources of £3m over 5 years from 2020 and £10m over 10 years (when compared to CPI only increases for the same period)

4.2 The plan uses the following key assumptions:-

- CPI at 2% p.a. from April 2018
- Stock sales through RTB at 30p.a. to March 2022 then reducing to 20p.a. thereafter
- Rents reducing by 1% in 18/19 & 19/20, increasing at CPI +1% p.a. for 5 years to March 2025 and by CPI p.a. thereafter.

4.3 The longer term viability of the plan has been strengthened by the Government confirmation of rent policy post 2020 and shows sufficient resources to finance the need to spend on existing stock and to repay existing debt as it falls due for repayment. It also indicates the availability of resources to fund additional new build and regeneration schemes through a combination of borrowing headroom, capital receipts and revenue contributions from reserves. Further capacity may become available following the recent announcement in the Autumn Budget that the Government will allow an increase in the HRA debt cap for some local authorities subject to a bidding process (further detail is awaited).

4.4 There is an ongoing review of all available options to increase the supply of new housing within both the Council and CBH.

5. 2017/18 Revised Forecast

5.1 The forecast at Appendix 2 shows an increase in the operating surplus of £1,421,500 compared to the original budget. Significant variations within the 2017/18 revised forecast (>£30,000) have been identified in budget monitoring reports and are summarised below:-

Budget Heading	**Change in resources**
	£'000
Repairs & Maintenance – decrease in forecast expenditure following reduced demand in year to date and impact of service efficiencies	275
Bad Debt Provision – lower arrears than anticipated reflect delay in implementation of welfare reform and allocation of additional resources to mitigate impact	35
Depreciation (Dwellings) – change to basis of calculation (see 5.3 below)	1,142
Depreciation (Other Assets) – changes to asset classification and assumed lifecycle	-112
Other net variations	81
Increase in Operating Surplus (compared to budget)	**1,421**

5.2 The reduction in the use of revenue contributions to fund capital expenditure by £556,400 reflects the approved funding strategy for capital expenditure and, together with the increase in the operating surplus, will result in a balance of revenue reserves of £7,635,800 at 31st March 2018.

5.3. For a period of five years following the introduction of self-financing in April 2012, local authorities were allowed to base the depreciation charge for dwellings on the major repair allowance per property assumed in the settlement. The Government has confirmed that for 2017/18 onwards depreciation should be calculated with reference to the estimated life and replacement cost of the major components of the dwellings. This is a complex technical area and there are a range of methods that can be adopted to arrive at the annual charge. Considerable research has been undertaken to establish the most appropriate method for Cheltenham.

The recalculated charge shows a reduction of £1,142,500 and a corresponding increase in the operating surplus for the year. However this will also reduce, by an equal amount, with the funds available in the major repairs reserve to fund capital expenditure thus requiring an increase in revenue contributions from reserves. As a result there is no overall impact on the level of retained reserves or the ability to fund proposed capital expenditure. This is a change required to ensure compliance with current accounting standards.

6. 2018/19 Budget Proposal

6.1 All rents will decrease by a further 1% in April 2018. The rent estimates also assume a 0.8% void rate and 30 RTB sales in the year.

6.2 Estimates of service charge income currently assume:-

- Increase of 1.5% for cleaning services supplied by CBH (see further detail at paragraph 7.4 below)
- Overall charges for power to communal areas are to be held at 2017/18 levels (under a 3 year fixed tariff contract until March 2020)

6.3 A new agreement for the HRA grounds maintenance work undertaken by Ubico is currently being finalised and service charges for next year are still under review.

6.4 Significant changes to the HRA (>£30,000) in 2018/19 as compared to the revised forecast for 2017/18 are itemised in the table below. There is a forecast reduction of £648,500 in the operating surplus for the year when compared with 2017/18.

Budget Heading	**Change in resources**
	£'000
Increase in ALMO management fee – pay award	-61
Increase in repair & maintenance – reflects pay award & inflation on materials and sub-contractor costs	-97
Increase in bad debt provision – roll out of Universal Credit	-96
Depreciation – inflation offset by stock loss	-96
Decrease in rents - rent reduction & stock loss	-275
Loss of supporting people grant – end of contract	-34
Other net variations	11
Decrease in Operating Surplus (compared to 2017/18)	**-648**

6.5 Revenue contributions totalling £4,081,500 will be required to fund capital expenditure in the year, reducing revenue reserves to £5,734,500 at 31st March 2019.

6.6 The Discretionary Housing Payments (DHP) Scheme enables local authorities to provide benefit claimants with 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.

However, in 2017/18 anticipated payments are at a level which could match or even exceed Government funding. Where this occurs the Department for Communities and Local Government (DCLG) have 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 Section 151 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 HRA budget does not yet include any provision for such expenditure.

7. Cheltenham Borough Homes (CBH)

7.1 The budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposal for 2018/19, which show a breakeven position on services provided to the Council.

7.2 The proposed management fee for 2018/19 (£5,144,000) assumes a 2% pay award in April 2018 and remains consistent with budget forecasts included in the four year plan.

7.3 It is anticipated that a combination of service efficiencies and sustained lower demand will give an overall saving of £369,400 in repair and maintenance projections for 2018/19 and 2019/20 when compared to previous estimates in the HRA business plan.

7.4 The cost of delivering the estate cleaning contract has risen by 4% (£13,000) which reflects the anticipated cost of the pay award and service enhancements which include the testing of emergency communal lighting and the cleaning of communal windows and food bins. The increase in service charges will be restricted to 1.5% following a review of eligible cost apportionments.

7.5 Appendix 5 gives a comprehensive overview of Value for Money (VFM) within the HRA. It describes the CBH approach to VFM and gives details of actual costs and performance in 2016/17 and targets for 2017/18 and 2018/19. It should be noted that costs include both CBH and CBC apportionments to the HRA.

8. CBH Plans & Progress

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

- **Service Improvement programme** – a comprehensive review of all IT systems and associated manual processes to drive efficiency in all areas of the business. A systems supplier has been selected and implementation will commence in April 2018, with an anticipated “go live” date in summer 2019.

- **Asset management** – CBH will be using improved data collection to assess the financial and operational impact of each unit of stock. This will inform future option appraisals when a property becomes void and guide strategic debate on the best use of HRA assets. This will be delivered as part of the above mentioned service improvement programme.

- **Reactive repairs** – Improvements in working practices and procurement and investment in mobile technology have already generated cost savings. Further efficiencies are anticipated from two insourcing opportunities (internal decent homes and the testing of emergency communal lighting) thus maximising use of in-house skills and reducing costs.

- **Non-traditional stock** – following a detailed option appraisal a refurbishment solution has been chosen to address non-decency within the Cornish type properties (to be delivered from April 2019). Further work will be undertaken to inform an investment decision for prefab style properties with a working group to be convened in the next financial year.

- **Cheltenham West regeneration (Masterplan)** – this project is being funded by Government grant and a final report will be produced in 2018/19.

- **New supply -** CBH is reviewing all potential delivery mechanisms to offset the ongoing impact of Right to Buy (RTB) and help meet local housing need.

- **Welfare reform/Universal Credit (UC)** – the company continues to monitor changes and, as referred to in paragraph 3.2 above, is conducting a proactive campaign to provide support and information to all tenants affected by the further rollout of UC from December 2017.

- **Accommodation strategy** – CBH will continue to implement an approved strategy that seeks to reduce overall costs whilst also supporting more effective working practices. The aspiration is to rationalise accommodation by March 2020.

- **People strategy** – a new strategy has been launched with values revitalised following a staff ballot. Further work will be undertaken on reward and wellbeing, ensuring that the company continues to recognise and value staff contributions to the achievement of CBH aims.

9. Capital Programme

9.1 The revised capital programme for 2017/18 reflects the completion of schemes carried forward from the previous year as reported to Cabinet and further variations identified during the year.

9.2 The detailed capital programme for 2018/19 and indicative programmes for the following two years are shown at Appendix 4. These reflect the investment requirements identified via stock condition surveys and a recent review of the 30 year capital programme. The sum set aside for particular component replacements each year will vary in line with anticipated lifecycles.

9.3 The programme includes:-

- Ongoing funding to complete the replacement of windows and doors through the majority of the stock.

- A significant investment in enhanced fire safety measures though the installation of emergency lighting in general needs blocks.

- A provision of £2m to fund the refurbishment of Cornish properties in Pitman Road, Elmfield Avenue and Midwinter Avenue, commencing in April 2019. This scheme has received the endorsement of the Council's Asset Management Working Group.

9.4 CBH is conducting a project to better understand current energy performance and the potential for improvement throughout the stock. This will inform decisions on future investment. The current programme includes a range of energy efficiency improvements:-

- Window renewal programme- currently in year two of a six year programme to replace the majority of windows across the stock, new windows exceed Building Regulations requirements for energy efficiency (over 1,000 dwellings will benefit from these works in the current year).

- External and fire door renewal – new doors are more thermally efficient and have improved draught seals (2,000 doors due to be replaced in 2017/18).

- Boiler renewals – replacements are ErP A rated giving higher energy efficiency (400 are being replaced in 2017/18).

- Roof programme – when renewing roof coverings loft insulation is being upgraded to Building Regulations part L standards for energy efficiency.

- Continuation of loft insulation upgrades and cavity wall insulation.

9.5 The proposed funding of the capital programme, together with a statement of balances on the major repairs reserve, is shown at Appendix 3. The main sources of funding remain the major repairs reserve and contributions from the revenue account. The Government's policy to stimulate Right to Buy has increased the availability of capital receipts. A proportion of those receipts are only retained by the Council if they are used to fund new affordable housing within 3 years.

9.6 Appendix 4 also gives estimates of new build expenditure for the period to 31st March 2021. Currently these figures only reflect the completion of existing schemes and a provision for appraisal costs in each year together with an indicative budget of £2m in 2018/19 to fund further acquisitions should eligible expenditure on new build be insufficient to retain RTB receipts. Further reports will be brought forward as new schemes are identified.

9.7 The capital programme will require CBH to carry out procurement on behalf of the Council. The budget headings in Appendix 4 may include the award of more than one contract to the value of £100,000 and over (key decisions) which will be awarded in accordance with the Council's contract rules and the constitution.

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

10. Reserves

10.1 The recommended minimum revenue balance to cover contingencies is £1.5m. This figure was determined in 2012 at the start of the self-financing regime and equates to approximately £330 per unit of stock which is very much in line with the sector norm. Key risks other than significant changes to Government policy primarily relate to property damage. The stock is insured for fire damage with the Council self-insuring against other perils. The three year projections forecast a reserve balance of £3,604,700 at 31st March 2021.

11. Conclusion

11.1 The four year plan for the period to March 2020 that was approved by Council in February 2016 continues to be delivered successfully and has ensured that:-

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

CBH has also generated additional resources particularly through service efficiencies on repairs and maintenance.

11.2 The confirmation of rent policy post 2020 has further strengthened HRA financial viability but it should be recognised that investment funding will still be limited in the medium term by the debt cap and restrictions on the use of capital receipts. However resources are available to fund further new build and regeneration subject to scheme identification and appraisal.

12. Consultation process

12.1 The 2018/19 budget proposals have been endorsed by the CBH Board and the Tenant Scrutiny Improvement Panel. No other specific concerns or comments have been received.

Report author	**Steve Slater, Executive Director (Finance and Resources), Cheltenham Borough Homes** **Tel. 01242 387539;** **e-mail address steve.slater@cbh.org**
Appendices	1. Risk Assessment 2 HRA Operating Account 3 Major Repairs Reserve and HRA Capital Programme (summary) 4 HRA Capital Programme (detail) 5 Value for Money in the HRA
Background information	1. HRA 30 year Business Plan 2. CBH Budgets and Plans 2018/19

Risk Assessment - HRA budget 2018/19 **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**
1.01	If the Government introduces a high value asset sale levy on local authorities to fund the extension of Right to Buy to Housing Association tenants, there will be a significant impact upon both stock availability and financial viability.	Tim Atkins	December 2015	4	4	16	R	The November 2017 Budget confirmed that a West Midlands regional pilot will run for 12 months from July 2018, following which further decisions will be made on the implementation of this policy.	Mar 2019	CBH through management agreement	
1.02	If CBH are unable to deliver savings to offset lower income as a consequence of 4 year rent reductions	Tim Atkins	December 2015	5	2	10	R	First 2 years of planned savings have been successfully delivered and current forecasts anticipate overall savings will exceed target. As a consequence the likelihood has been reduced. Performance will continue to be closely monitored by CBH with periodic reports being submitted to Council officers.	Mar 2020	CBH through management agreement	
1.03	If welfare reforms have a greater impact on tenants than anticipated and planned for, it may increase the level of debt and impact on vulnerable families	Tim Atkins	December 2012	3	4	12	R	The HRA budget includes specific resources to control rent arrears and support tenants through Welfare Reform/Universal Credit.	Mar 2019	CBH through management agreement	
1.04	If void rent loss is higher than estimated it will impact on assumed rent income in the HRA	Tim Atkins	December 2012	3	2	6	R	Demand for social housing remains high with significant waiting list. Quality of accommodation needs to be maintained and changes in void	Mar 2019	CBH through management agreement	

								levels monitored.			
1.05	If the demand for reactive repairs increases there may be insufficient budget to meet demand	Tim Atkins	December 2012	4	3	12	R	Maintain robust stock condition data. Major peril to the stock is fire which is covered by appropriate insurance.	Mar 2019	CBH through management agreement	
1.06	If there is insufficient capacity to deliver the ambitious programme of building works then the programme may not be deliverable	Tim Atkins	December 2012	2	3	6	R	The HRA budget includes specific resources to address capital programme works.	Mar 2019	CBH through management agreement	
1.07	If the capital receipts held from RTB sales under the retention agreement with DCLG are not used within 3 years of receipt they are repayable with interest to the Government	Tim Atkins	December 2013	3	2	6	R	The current phase of the new build programme is continuing with officers monitoring spend against that required to retain receipts. CBH is reviewing all delivery opportunities to identify a pipeline of new schemes. An alternative strategy of acquiring property has so far prevented repayment of receipts. This will be kept under review and compared with other emerging opportunities.	Mar 2019	CBC/CBH via the Operational Working Group	

HRA OPERATING ACCOUNT

	2017/18 Original	2017/18 Forecast	2018/19 Estimate	2019/20 Projections	2020/21 Projections
	£	£	£	£	£
EXPENDITURE					
General & Special Management	2,168,000	2,164,900	2,194,600	2,242,500	2,054,800
ALMO Management Fee	5,083,000	5,083,000	5,144,000	5,259,000	5,359,000
Rents, Rates, Taxes and Other Charges	59,000	49,000	49,000	49,000	49,000
Repairs & Maintenance	3,958,800	3,684,000	3,781,400	3,868,100	3,939,300
Provision for Bad Debts	235,000	200,000	296,000	330,000	370,000
Interest Payable	1,684,700	1,684,700	1,684,700	1,684,700	1,684,700
Depreciation of Dwellings	5,511,400	4,368,900	4,465,100	4,546,000	4,616,000
Depreciation of Other Assets	183,500	295,300	296,200	297,600	299,000
Debt Management Expenses	80,000	80,000	81,600	83,200	84,900
TOTAL	**18,963,400**	**17,609,800**	**17,992,600**	**18,360,100**	**18,456,700**
INCOME					
Dwelling Rents	18,775,400	18,805,400	18,530,300	18,281,300	18,702,300
Non Dwelling Rents	423,600	449,700	460,500	465,400	469,300
Charges for Services and Facilities	857,000	847,600	855,700	867,500	888,400
Supporting People Grant	62,500	62,400	28,800	0	0
Feed in Tariff from PV Installations	213,400	230,000	238,600	247,000	254,400
TOTAL	**20,331,900**	**20,395,100**	**20,113,900**	**19,861,200**	**20,314,400**
NET INCOME FROM SERVICES	**1,368,500**	**2,785,300**	**2,121,300**	**1,501,100**	**1,857,700**
Interest Receivable	38,700	43,400	58,900	78,800	70,300
NET OPERATING SURPLUS	**1,407,200**	**2,828,700**	**2,180,200**	**1,579,900**	**1,928,000**
Appropriations					
Revenue Contributions to Capital	-2,616,900	-2,060,500	-4,081,500	-2,268,200	-3,369,500
Net Increase/(Decrease) in reserves	-1,209,700	768,200	-1,901,300	-688,300	-1,441,500
Revenue Reserve brought forward	6,176,100	6,867,600	7,635,800	5,734,500	5,046,200
Revenue Reserve carried forward	**4,966,400**	**7,635,800**	**5,734,500**	**5,046,200**	**3,604,700**
Average Social Rent:-					
Decrease/Increase 1st April			**-1.00%**	**-1.00%**	**3.00%**
48 wk		**87.49**	**86.62**	**85.75**	**88.32**
52 wk		**80.76**	**79.95**	**79.15**	**81.53**
Average stock		**4,442**	**4,418**	**4,388**	**4,358**
Average Affordable Rent:-					
Decrease/Increase 1st April			**-1.00%**	**-1.00%**	**3.00%**
48 wk		**133.62**	**141.57**	**152.82**	**140.30**
52 wk		**123.34**	**130.68**	**141.07**	**129.51**
(nb average rents also reflect changes to stock mix following new build completions)					
Average stock		**31**	**36**	**41**	**46**

MAJOR REPAIRS RESERVE

	2017/18 Original £	2017/18 Forecast £	2018/19 Estimate £	2019/20 Projections £	2020/21 Projections £
Balance brought forward	0	0	0	0	0
Depreciation of Dwellings	5,511,400	4,368,900	4,465,100	4,546,000	4,616,000
Depreciation of Other Assets	183,500	295,300	296,200	297,600	299,000
	5,694,900	4,664,200	4,761,300	4,843,600	4,915,000
Utilised to fund Capital Programme	-5,694,900	-4,664,200	-4,761,300	-4,843,600	-4,915,000
Balance carried forward	0	0	0	0	0

HRA CAPITAL PROGRAMME

	2017/18 Original £	2017/18 Forecast £	2018/19 Estimate £	2019/20 Projections £	2020/21 Projections £
EXPENDITURE					
EXISTING STOCK					
Property Improvements & Major Repairs	7,758,400	7,916,100	7,069,800	7,449,800	8,664,500
Adaptations for the Disabled	400,000	300,000	350,000	350,000	350,000
Environmental Works (Tenant Selection)	10,000	10,000	10,000	10,000	10,000
Repurchase of Shared Ownership Dwellings	50,000	85,000	50,000	50,000	50,000
	8,218,400	8,311,100	7,479,800	7,859,800	9,074,500
NEW BUILD & ACQUISITIONS	2,459,400	1,769,600	3,500,000	310,000	250,000
TOTAL	10,677,800	10,080,700	10,979,800	8,169,800	9,324,500
FINANCING					
Capital Receipts	2,166,000	2,906,000	1,837,000	758,000	740,000
HRA Revenue Contribution	2,616,900	2,060,500	4,081,500	2,268,200	3,369,500
Leaseholder Recharges	200,000	450,000	300,000	300,000	300,000
Major Repairs Reserve	5,694,900	4,664,200	4,761,300	4,843,600	4,915,000
TOTAL	10,677,800	10,080,700	10,979,800	8,169,800	9,324,500

PROPERTY IMPROVEMENT & MAJOR WORKS				
Description of works	**2017/18 £**	**2018/19 £**	**2019/20 £**	**2020/21 £**
EXTERNAL IMPROVEMENTS	718,900	393,000	829,000	1,991,000
INTERNAL IMPROVEMENTS	321,100	372,900	376,600	664,600
PATHS, FENCES & WALLS	151,300	238,800	238,800	238,800
WORKS TO BUILDING FABRIC	12,200	-	-	-
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	24,300	75,000	75,000	75,000
RENEWAL OF HEATING SYSTEMS	851,500	934,000	881,100	1,052,900
MAJOR REFURBISHMENTS TO VOID PROPERTIES	551,300	522,000	464,000	466,000
WINDOWS & DOORS	3,478,300	2,425,000	2,112,600	1,498,100
ASBESTOS	252,500	190,000	190,000	190,000
SHELTERED ACCOMMODATION	30,800	30,000	30,000	30,000
NEIGHBOURHOOD WORKS	202,400	-	-	-
DOOR ENTRY SCHEMES	163,000	34,500	30,500	222,200
STRUCTURAL WORKS	4,900	30,000	30,000	30,000
COMMUNAL LIGHTING	258,200	991,100	240,300	105,500
FIRE PROTECTION	138,500	79,000	95,000	78,000
LIFTS	75,000	20,000	20,000	20,000
NON TRADITIONAL HOMES	-	-	1,000,000	1,000,000
GARAGE IMPROVEMENTS	1,500	25,000	25,000	25,000
WARDEN CALL UPGRADE	-	-	-	-
FEE FOR MANAGING PROGRAMME	636,000	649,000	662,000	679,000
CONTINGENCY	44,400	60,500	149,900	298,400
TOTAL BUDGET FOR EXISTING PROPERTIES	7,916,100	7,069,800	7,449,800	8,664,500

NEW BUILD & ACQUISITIONS				
	2017/18 £	**2018/19 £**	**2019/20 £**	**2020/21 £**
COUNCIL APPROVED				
GARAGE SITES 2B	155,800	-	-	-
GARAGE SITES 2C	1,083,700	1,250,000	60,000	-
SWINDON ROAD	21,500	-	-	-
MARKET PURCHASE	227,000	2,000,000	-	-
SCHEMES SUBJECT TO TENDER & COUNCIL APPROVAL				
CURRENT ESTIMATE FOR PIPELINE SCHEMES	281,600	250,000	250,000	250,000
TOTAL BUDGET FOR NEW BUILD & ACQUISITIONS	1,769,600	3,500,000	310,000	250,000

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CBH

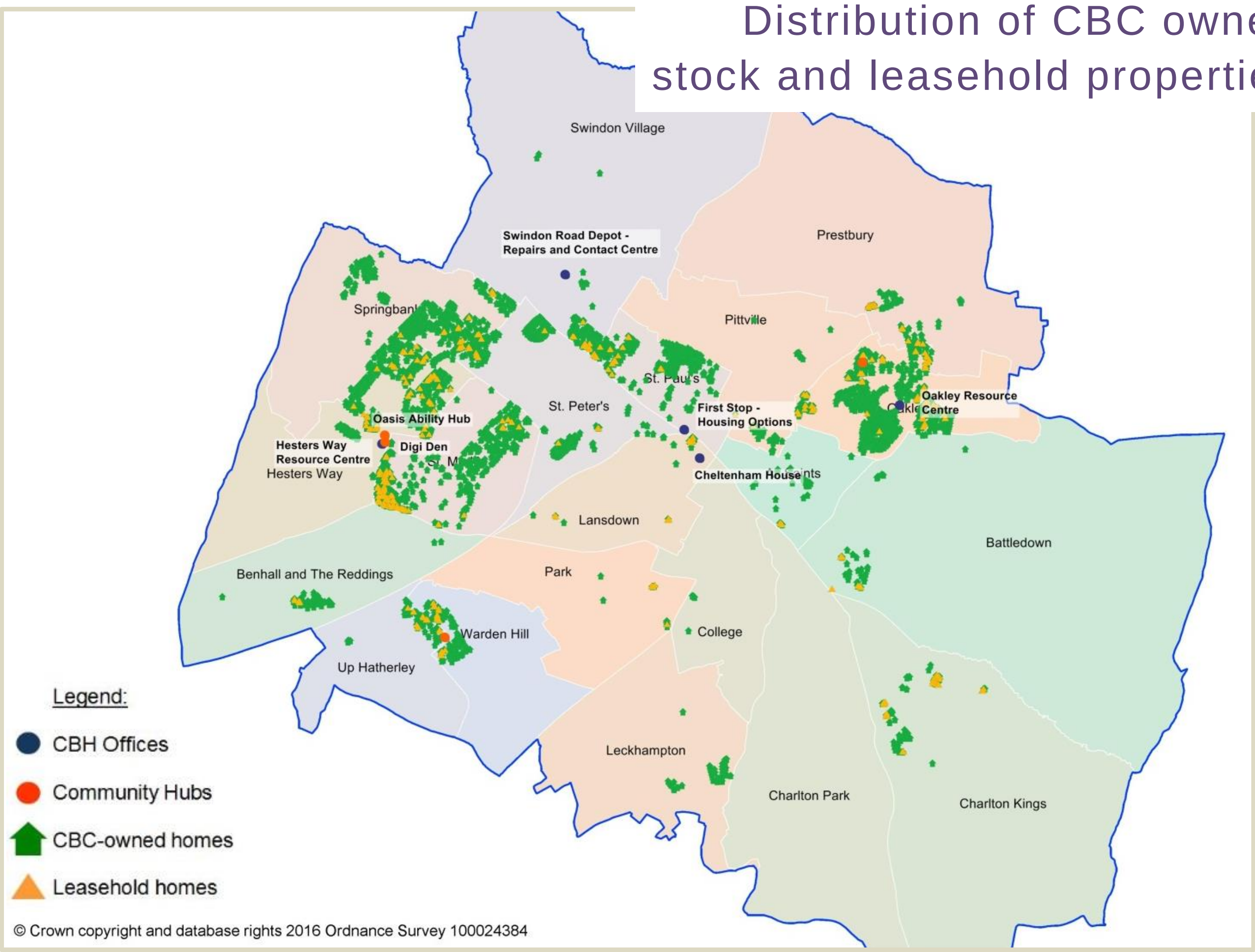
CHELTENHAM BOROUGH HOMES

Value for Money in the HRA: a look behind the numbers

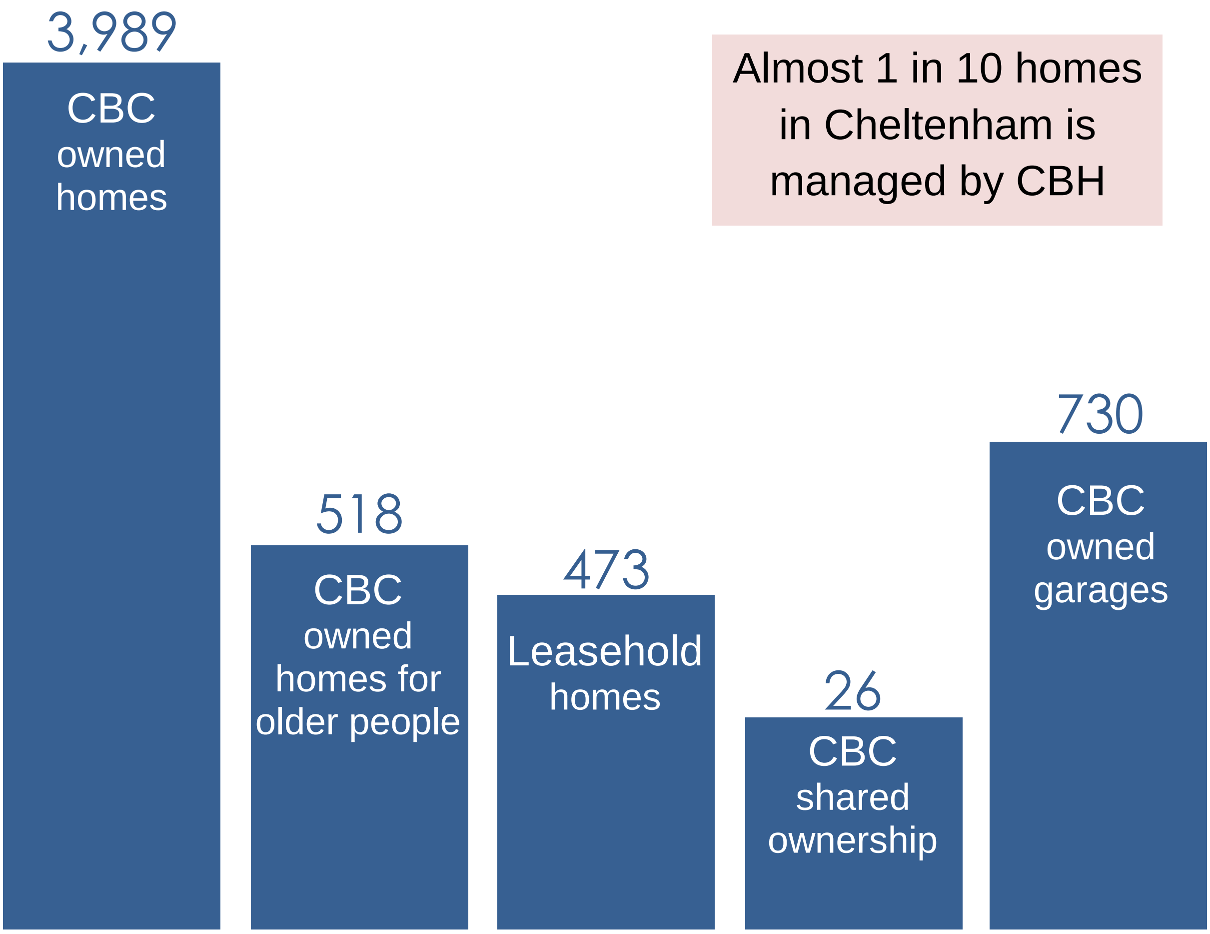
January 2018

WHO WE ARE	WHAT WE DO	HOW WE SPEND

Distribution of CBC owned stock and leasehold properties



Almost 1 in 10 homes in Cheltenham is managed by CBH



ABOUT CBH

We are Cheltenham Borough Council's housing ALMO, set up in 2003 for the not-for-profit management and maintenance of council-owned homes.

A 30 year Management Agreement sets out our relationship with CBC and enables us to have clear plans for the future and to continue fulfilling the aims of the Council's Housing Revenue Account (HRA) Business Plan, which are to:

- ✓ **Maintain homes to a high standard**
- ✓ **Provide value added services to people and communities**
- ✓ **Build new homes**

We successfully manage the HRA budget. We identify the need to spend on homes and services each year, then invest that to deliver repairs and improvements to homes, to provide new homes, and to deliver high quality services to tenants and leaseholders. A recent in-depth survey of tenants shows that overall satisfaction with CBH's services has **increased to 88%** placing CBH among the higher performing social housing providers in England and Wales.

We continue to monitor and manage spend throughout the year and identify efficiency savings that we **re-invest in services or homes**. Our tenants help us to understand what is important to them and in doing so shape the services CBH provides.

Delivering added value

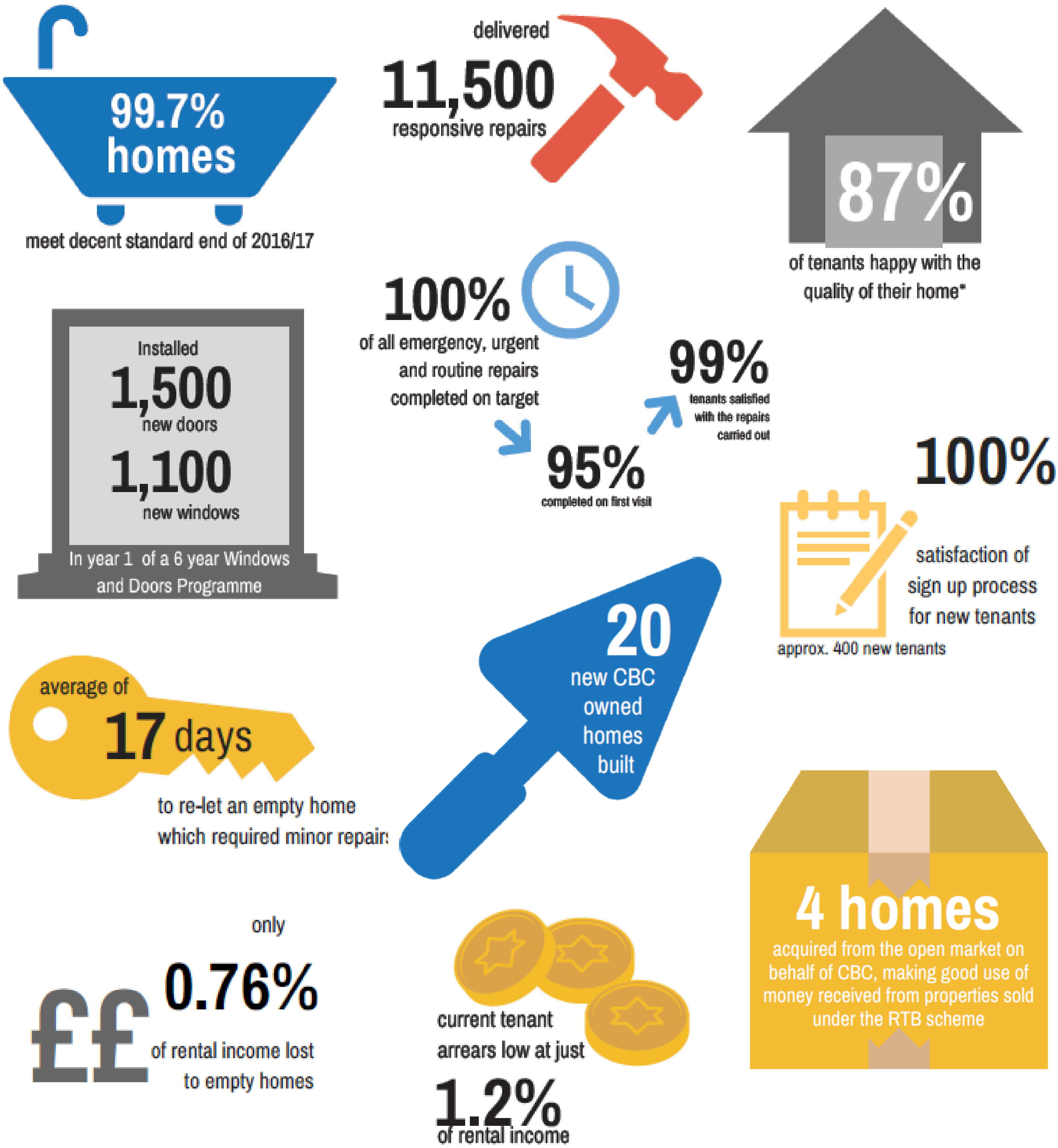
We are a committed and passionate local organisation. We share the Council's vision for Cheltenham to be a 'place where everyone thrives' and support the delivery of the Council's Housing and Homelessness Strategy. CBH makes Cheltenham a better place by providing great homes and building stronger communities. We operate within the most deprived communities across Cheltenham and by understanding what is important, and the local pressures faced, we make use of our skills and knowledge to provide **enhanced services** within the HRA to make a positive difference to people's lives.

CBH is successful because the people that work for us demonstrate **pride, enthusiasm and dedication** in what they do. We have clear plans for the future and a robust approach to achieving value for money (VFM) in the HRA. We are **successfully delivering additional savings over and above those identified in response to the Government's 1% annual rent reductions**, which remain in place until 2020. Our tenants and leaseholders also give their time, energy and commitment to shape our services. We are achieving this at a time of **unprecedented change and challenge** for the social housing sector.

DELIVERING IN THE HRA, 2016/17

The infographics below provide a look behind the numbers in the HRA and show a small selection of achievements highlighting the excellent work that went on in 16/17.

Maintain Homes to a high standard and build new homes

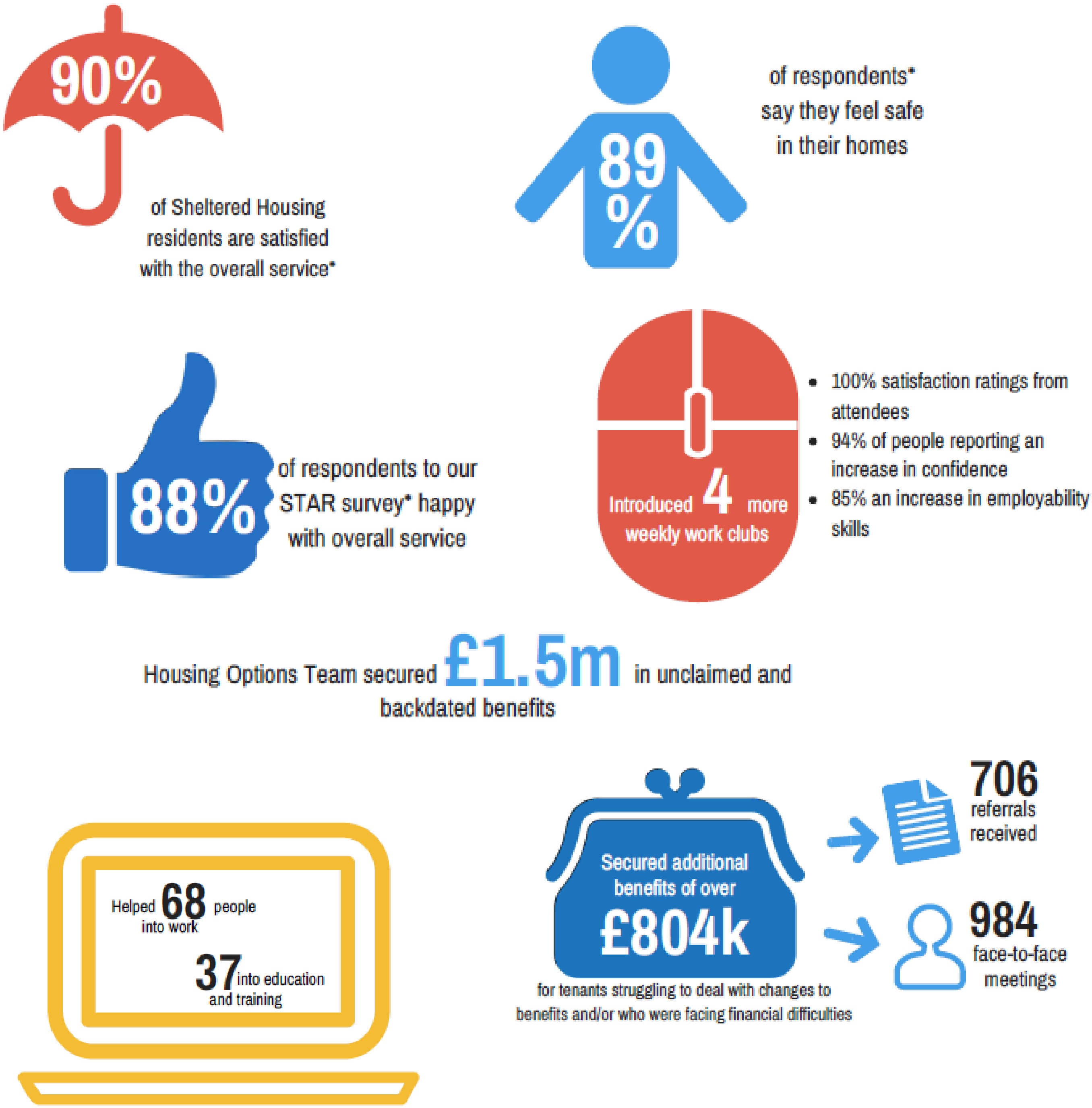


* Taken from comprehensive biennial STAR survey. Just over 1,000 tenants responded – almost ¼ of tenancies.

DELIVERING IN THE HRA, 2016/17

Where appropriate, CBH also delivers more than high quality landlord services: providing people with support and advice in areas that will enable them to improve their quality of life.

Provide value added services to people and communities



* Taken from comprehensive biennial STAR survey. Just over 1,000 tenants responded – almost ¼ of tenancies.

ENSURING VFM IN THE FUTURE

The previous two pages provided an overview of some of the excellent services we are delivering to meet the needs expressed by tenants and leaseholders. In order for us to continue to do this effectively and efficiently, and enhance services further, we have developed a clear Vision and three Aims for CBH.

Our Vision: **Make Cheltenham a better place to live by providing great homes and stronger communities**

Our Aims: Great Homes | Stronger Communities | Inspired People

At the heart of this is the recognition that to achieve our vision we must look after our CBH colleagues, ensuring that they, in turn, are able to look after our customers. We want employees to feel valued and inspired to ‘go the extra mile’ for our customers. Our systems and processes will be improved so that we are better able to meet customers’ needs and employees are able to work as effectively as possible.

We are clear that achieving good value for money (VFM) is not just concerned with reducing costs; it is about understanding the need to spend and then managing that effectively, to maintain strong core services and continue to achieve positive change and outcomes.

CBH has clear and measurable plans in place setting our priority areas of work, to ensure that we are always improving and seeking to find new and more innovative ways of working. On the following page is a selection of those priority areas of work to 2020, ensuring we achieve our three Aims.

We Aim to provide Great Homes via:

- **Improving systems** – enhance systems, making it easier for customers to interact with us online
- **Enabling Asset Modelling** – to make sure we have a clear understanding of the costs involved in maintaining each property and when that cost reaches a point that is financially unsustainable
- **Completing the 'Cheltenham West Vision' regeneration project** – investigating the potential to regenerate an area of Cheltenham to improve quality of life for the people living there
- **A windows and doors programme** – improving security and energy efficiency across all homes
- **New supply opportunities** – undertake new ways of bringing more properties into the business to balance out stock lost to Right To Buy & help meet local housing need
- **A solution for non-traditional build properties** – deliver the strategy to refurbish and extend the life of these property types
- **Insourcing existing works programmes** – to make best use of the skills we have in-house, improve quality and reduce costs
- **Service Improvement Programme (SIP)** – to develop & enhance the processes, applications & supporting technologies that enable CBH to deliver efficient & cost effective services into the future
- **Managing Welfare Reform** – mitigate the effects that ongoing changes to benefits are having on tenants, people in need of social housing and the business

We Aim to build Stronger Communities by:

- **Supporting community projects and initiatives** - source external funding, resourcing community organisations and harness partner support and capacity
- **Enhancing our role as a local community builder** - work with partners to deliver locality based community investment
- **Transitioning from direct delivery** – an overall shift from direct delivery to true partnership working
- **Promotion of Social Value** – measure the social value we bring to the communities within which we work

We Aim to deliver this with Inspired People via:

- **Staff Development** – empowering and supporting colleagues to achieve their potential through personal and professional development opportunities so that they are able to 'go the extra mile' for our customers
- **Effective recruitment** – modernise the recruitment and selection process
- **Values** – live our values because they reflect a culture we all believe in

ENSURING VFM IN THE FUTURE

CBH is responsible for managing the resources of both CBH and the Council's HRA. A key milestone in the delivery of our Vision has been the development of a suite of Key Performance Indicators demonstrating the balance across costs, performance and satisfaction, where costs relate to both CBH and CBC within the HRA.

CBH makes use of an established model to provide a clear understanding of actual Costs per Property (CPP) for the financial year just completed and set challenging targets based on future budgets. The CPP are directly linked to actual spend and budgets at the highest level and, together with challenging targets for levels of performance and satisfaction, enable informed decisions as **CBH delivers the right balance across costs, performance and satisfaction**. Our current VFM suite is included on the following pages, showing position at the end of 2016/17 and the direction of travel through 2017/18 and 2018/19. Commentary is included to provide some context to the numbers, following each table.

Providing Great Homes

Key to RAG colours:
On or better than target | Slightly off target | Off target

Key VFM Performance Indicators *VFM is the right balance between cost per property (CPP), performance and satisfaction*	**2016-17** year-end outturn compared to target (as a RAG)	**2017-18** year-end target (approved)	**2018-19** year-end target (draft)
Direct CPP of Major Works & Cyclical Maintenance	£2,596	£2,395	£2,116
% homes non-decent at end of year	0.46%	0.75%	0.97%
% homes with valid gas safety cert	99.93%	100%	100%
Average SAP rating (09 methodology)	69.67	70.50	70.50
STAR Satisfaction with overall quality of the home	86.56%	88%	89%
No. new build properties handed over	20	9	40
Direct CPP of Responsive Repairs & Void Works	£551	£601	£612
% of Emergency, Urgent and Routine repairs completed within target	99.78%	99%	99%
% tenants satisfied with repairs	99.40%	99%	99%
Direct CPP of Rent Arrears and Collection	£105	£115	£122
Current arrears as % of rental income (excluding court costs)	1.20%	1.85%	2.86%
Rent collected from current & former tenants as % rent due (excluding arrears brought forward)	100.16%	98%	97%
Direct CPP of Lettings	£40	£41	£42
% Rent lost to vacant homes	0.76%	0.71%	0.71%
Ave time taken to re-let minor void CBC properties in days	17.41	17	16.5
Complaints closed at stage 1 - % within agreed timescales	96.3%	96%	96%
No. of complaints per 1000 homes	12.01	13	13
% of contact centre calls answered	91.67%	95%	95%

Major works and Cyclical Maintenance Costs reflect the planned investment needed to ensure stock is maintained to a high standard. It includes the £13m, 6 year programme to deliver new windows and doors to around 5,000 homes; an acceleration of stock surveys to ensure that we have excellent data with which to make the best investment decisions. Costs can appear higher than other providers as CBC's stock is comparatively older, with the majority (around 72%) being built before 1960.

Performance across the range of indicators in the table above remains strong and has improved on the previous year's outturn; targets to 2018/19 set a clear direction of travel. The non-decency target reflects a conscious decision about a small number of non-traditional build properties awaiting options appraisal which will therefore have no decent homes work carried out. Sufficient responsive repairs will still be undertaken. We are developing a strategic approach to dealing with these property types, which includes pre-fabricated and 'Cornish' build properties. Work on the latter is anticipated to begin in 2019. Satisfaction with the quality of the home remains high; this data is obtained by carrying out a regular STAR (Survey of Tenants and Residents) satisfaction survey.

Our new supply programme accounted for 20 new CBC-owned homes in 16/17 with a further 9 planned in 17/18.

Our responsive repairs service is very important to and highly regarded by tenants: 11,500 responsive repairs were delivered during 2016/17, with ongoing satisfaction levels running at 99%

Responsive repairs and void works Costs were low in 2016/17 due to reduced demand on the service as a consequence of mild winter weather, plus more efficient ways of working in the responsive repairs team. The 16/17 CPP figure is better than the sector average and future targets reflect prudent budgeting, that takes account of more usual levels of demand and exceptional weather. Customer satisfaction remains very high and target times for repairs are consistently met.

Rent Arrears and Collection Costs reflect increased resourcing in preparation for the roll out of Universal Credit (UC) across Cheltenham from December 2017. This has been carefully modelled and has enabled strong rent collection and arrears performance in this area. CPP is currently higher than the sector average but investment has also enabled CBH to carry out important work to support people facing financial difficulties, helping them improve their quality of life and maintain their tenancies. Future targets reflect the challenges that will be faced with the roll out of UC, changes to benefit payments and the establishment of new associated processes, which are nationally recognised across the sector. CBH continues to raise awareness of the upcoming changes, having visited all of the 1,800 households expected to be affected and continuing to provide benefit and money advice.

Lettings Costs are slightly higher than the sector average: this area of the business maintains very strong customer satisfaction and performance, with void re-let times and rent loss low. Future targets seek to maintain these levels.

Complaints Performance is strong, reflecting the ease with which customers can make complaints and the effectiveness of the processes dealing with them. Contact centre calls answered is slightly off target but future targets reflect the desire to drive that figure higher. Work to enhance telephony systems will support our ability to achieve this.

Building Stronger Communities

Key VFM Performance Indicators VFM is the right balance between cost per property (CPP), performance and satisfaction	2016-17 year-end outturn compared to target (as a RAG)	2017-18 year-end target (approved)	2018-19 year-end target (draft)
Direct CPP of ASB	£60	£61	£57
% closed ASB cases that were resolved	98.10%	98%	98%
% satisfied with the way their ASB complaint was dealt with	98.85%	95%	95%
Direct CPP of Resident Involvement	£68	£81	£71
STAR % Customers satisfied CBH listens to their views & acts upon them	66%	69%	70%
Direct CPP of Tenancy Management	£101	£98	£97
Overall Customer satisfaction (%) STAR Survey	86.13%	87%	89%
STAR Satisfaction with value for money of the rent	87.04%	88%	88%
Income generated on behalf of customer year to date	£794,721	£680,000	£680,000

ASB This area demonstrates strong performance and satisfaction, and future targets seek to maintain those levels. Investment in ASB work reflects the importance in which it is held by tenants and means a CPP higher than the sector average. Our ASB work is proactive and preventative, with successful work being carried out with local schools over the year, for example. We also work closely in partnership with the Police, supporting various initiatives in communities and successful crime operations.

Resident Involvement CPP has outperformed the target due to changes to structures at a senior level and a pause on recruitment to vacant posts to enable a review of relevant service areas. A review of the allocation of employee time to this service area also contributed to the reduction in CPP. This cost re-allocation has generated a corresponding rise in tenancy management CPP. Tenants play a big part in shaping the services we deliver and currently almost 10% of our tenants are involved in some way with CBH. We are using the feedback received through our STAR survey inform the re-design of teams and roles to meet the needs of tenants.

Our annual tenant and leaseholder awards bring people of all ages together to celebrate their achievements and communities

Tenancy Management CPP has increased, as mentioned above, missing the target. Overall customer satisfaction with CBH and with the Value for Money for their rent remains high: this data was re-visited during 2017 and remains at 87% for VFM with the rent and has increased to 88% for overall satisfaction, both of these figures place CBH among the top performing housing providers in the sector.

When compared with other providers CPP for both tenancy management and resident involvement is higher than the sector average. The decision to continue to invest appropriately in supporting strong communities through neighbourhood and community management and involving residents enables us to support wider local agendas which CBH is well placed to help deliver.

Inspired People

Key VFM Performance Indicators VFM is the right balance between cost per property (CPP), performance and satisfaction	2016-17 year-end outturn compared to target (as a RAG)	2017-18 year-end target (approved)	2018-19 year-end target (draft)
Average number of working days lost to total sickness	9.64	8	8
Percentage of staff satisfied with your organisation as an employer	63.87%	75%	82%

Employee satisfaction levels with *'CBH as an employer'* are regularly sourced. This point in time survey was carried out during a period of change and uncertainty and followed a full review of pay structures, as part of our 'pay harmonisation' project. Since then our 'People Strategy' has been developed with employees; it aims to make CBH a great place to work and to create an environment where colleagues feel supported and empowered to make things happen for both colleagues and customers alike. The future target reflects the confidence that this figure will rise when the question is next asked.

Creating an environment where colleagues are encouraged to **go the extra mile** will inspire and enable staff to continue to deliver great new projects which truly improve the lives of our customers. Examples of such projects include:

- The **hugely successful 'Hamper Scamper' appeal**, which aims to buy gifts for children living within disadvantaged households across Gloucestershire. This year we took on the challenge of providing the pupils of St Thomas Moore School and some of their siblings, gifts for Christmas. The school is located in Hester's Way and the overall appeal raised 2,700 gifts for disadvantaged children of which **our employees contributed almost 300, 11% of the total gifts donated.** CBH employees also donated enough food to produce 20 food hampers for the appeal that went alongside gifts donated to those families in particular need.

Hamper Scamper - The Gift Tag scheme buys gifts for children in disadvantaged homes, CBH employees contributed 300 gifts, 11% of the county total of 2,700

- Our 'Alternative Provision Scheme' (APP) was a 6 month project to help **inspire a group of young people from All Saints Academy** to stay in mainstream education. The pupils gained experience in a number of areas, from regenerating community gardens, developing first aid skills, working with Crimestoppers on the dangers of knife carrying to working in our repairs' and contractors' teams. This gave them a first-hand chance to experience the types of careers that they could pursue in the future. The feedback we received was fantastic and we hope to carry out this type of project again.

Our '*Alternative Provision Programme'* has helped inspire a group of young people from All Saints Academy to stay in mainstream education

Cheltenham Borough Council

Cabinet – 13th February 2018

Council – 19th February 2018

Treasury Management Strategy Statement and Annual Investment Strategy 2018/19

Accountable member	**Cabinet Member Finance, Councillor 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	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 : • **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	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. **Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk, 01242 264337**
Legal implications	As detailed in the report. **Contact officer: Peter Lewis** **peter.lewis@tewkesbury.gov.uk, 01684 272695**
HR implications (including learning and organisational development)	None arising directly from this report. **Contact officer: Julie McCarthy,** **julie.mccarthy@cheltenham.gov.uk, 01242 264355**
Key risks	As noted in Appendix 1.
Corporate and community plan Implications	The purpose of the strategy is to improve corporate governance, a key objective for the Council.
Environmental and climate change implications	None arising directly from this report.

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 polices 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 31st 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

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	24th 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 Councils 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
3rd 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 approporiate 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. 9

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 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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Cheltenham Borough Council

Council – 19th February 2018

Council Tax resolution 2018/19

Accountable member	**Cabinet Member for Finance, Councillor Rowena Hay**
Accountable officer	**Paul Jones (Section 151 Officer)**
Accountable scrutiny committee	**Overview and Scrutiny committee**
Ward(s) affected	**All**
Significant Decision	**Yes**
Executive summary	The purpose of this report is to enable the Council to set the Council Tax for 2018/19. The Council agreed its budget and level of Council Tax for 2018/19 at its meeting on 19th February 2018. The Council is required to formally approve the total Council Tax for residents of Cheltenham, including the Council Tax requirements of the precepting organisations Gloucestershire County Council (GCC) and Gloucestershire Police.
Recommendations	**Approve the formal Council Tax resolution at Appendix 2 and note the commentary in respect of the increase in Council Tax at Paragraph 6 of Appendix 2.**

Financial implications	Failure to agree the Council Tax resolution at this meeting would delay the preparation of council tax bills and the collection of the payments from residents. This may result in lost interest on income collected, which given the prevailing low interest rates, would be approximately £1-2k per month. **Contact officer: Paul Jones** **paul.jones@cheltenham.gov.uk, 01242 775154**
Legal implications	None specific; the legislative context is set out in the report. The council tax resolution must be by recorded vote - *Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014* effective 26/2/14. **Contact officer: Peter Lewis, One legal** **peter.lewis@tewkesbury.gov.uk, 01684 272012**
HR implications (including learning and organisational development)	None arising from this report. **Contact officer: Julie McCarthy** **julie.mccarthy@cheltenham.gov.uk** **01242 264355**
Key risks	As outlined in the financial implications

Corporate and community plan implications	None arising from this report
Environmental and climate change implications	None arising from this report

1. Introduction

1.1 The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992, and now requires the billing authority to calculate a Council Tax requirement for the year, not its budget requirement as previously.

1.2 The Council agreed the budget and level of Council Tax for 2018/19 at its meeting on 19th February 2018. The Council is now required to formally approve the total Council Tax for residents of Cheltenham, including the Council Tax requirements of the precepting organisations, Gloucestershire County Council (GCC) and Gloucestershire Police.

1.3 Gloucestershire County Council (GCC) and Gloucestershire Police have both met to set their council taxes for 2018/19.

1.4 The total Council Tax to be paid by residents of Cheltenham in 2018/19 by council tax band, including the precepting authorities, is contained in Appendix 2.

2. Reasons for recommendations

2.1 To enable the Council to set the Council Tax for 2018/19.

3. Alternative options considered

3.1 Not applicable

4. Consultation and feedback

4.1 Not applicable

5. Performance management – monitoring and review

5.1 Not applicable

Report author	**Contact officer: Paul Jones** **paul.jones@cheltenham.gov.uk** **01242 775154**
Appendices	1. Risk Assessment 2. Council Tax resolution
Background information	1. Council Budget Report 19th February 2018

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**
c.tax 1	Failure to agree the 2018/19 Council Tax resolution may result in lost interest on income.	Paul Jones	19/02/18	4	1	4	Accept	Councillors to agree council tax at meeting	23/02/18	Paul Jones	

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APPENDIX 2

CHELTENHAM BOROUGH COUNCIL

COUNCIL
19th FEBRUARY 2018

COUNCIL TAX RESOLUTION 2018/19

1. It be noted that on 25th January 2018 the Council calculated the Council Tax Base for 2018/19 as follows:

   (a) for the whole Council area as **41,745.2**

   [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")] ; and

   (b) for dwellings in those parts of its area to which a Parish precept relates as in the attached **Table E** below.

2. Calculate that the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish precepts) is £8,474,693

3. That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:

(a)	£108,496,778	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
(b)	£99,772,236	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£8,724,542	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
(d)	£209.00	being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
(e)	£249,848.90	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached **Table E** below).
(f)	£203.01	being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

4. To note that Gloucestershire County Council and the Police and Crime Commissioner for Gloucestershire have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in **Table A** below.

5. To note that the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in **Table A** below as the amounts of Council Tax for 2018/19 for Cheltenham Borough Council, Gloucestershire County Council and the Police and Crime Commissioner for Gloucestershire, for each of the categories of dwellings.

Table A

Council Tax for 2018/19 for each of the categories of dwellings shown below:

Band	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Cheltenham Borough Council	135.34	157.90	180.45	**203.01**	248.12	293.24	338.35	406.02
Gloucestershire County Council	821.47	958.39	1,095.30	**1,232.21**	1,506.03	1,779.86	2,053.68	2,464.42
The Police and Crime Commissioner for Gloucestershire	150.99	176.16	201.32	**226.49**	276.82	327.15	377.48	452.98
Aggregate Council Tax (Excluding Parishes)	1,107.80	1,292.45	1,477.07	**1,661.71**	2,030.97	2,400.25	2,769.51	3,323.42

Table B

Parish amount of Council Tax for 2018/19 for each of the categories of dwellings shown below:

Part of the Council's area	Valuation Bands							
Band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	£	£	£	£	£	£	£	£
Charlton Kings	11.33	13.22	15.11	**17.00**	20.78	24.56	28.33	34.00
Leckhampton with Warden Hill	12.25	14.29	16.33	**18.37**	22.45	26.53	30.62	36.74
Prestbury	14.83	17.30	19.77	**22.24**	27.18	32.12	37.07	44.48
Swindon	11.32	13.21	15.09	**16.98**	20.75	24.53	28.30	33.96
Up Hatherley	6.64	7.75	8.85	**9.96**	12.17	14.39	16.60	19.92

Table C

Aggregate of amounts of Council Tax for the year 2018/19 for the Borough of Cheltenham and each Parish, for each of the categories of dwellings shown below:

Part of the Council's area	Valuation Bands							
Band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Charlton Kings	146.67	171.12	195.56	**220.01**	268.90	317.80	366.68	440.02
Leckhampton with Warden Hill	147.59	172.19	196.78	**221.38**	270.57	319.77	368.97	442.76
Prestbury	150.17	175.20	200.22	**225.25**	275.30	325.36	375.42	450.50
Swindon	146.66	171.11	195.54	**219.99**	268.87	317.77	366.65	439.98
Up Hatherley	141.98	165.65	189.30	**212.97**	260.29	307.63	354.95	425.94

Table D

Aggregate of amounts of Council Tax the year 2018/19, for Gloucestershire County Council, The Police and Crime Commissioner for Gloucestershire, the Borough of Cheltenham and each Parish, for each of the categories of dwellings shown below:

Part of the Council's area	Valuation Bands							
Band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Charlton Kings	1,119.13	1,305.67	1,492.18	**1,678.71**	2,051.75	2,424.81	2,797.84	3,357.42
Leckhampton with Warden Hill	1,120.05	1,306.74	1,493.40	**1,680.08**	2,053.42	2,426.78	2,800.13	3,360.16
Prestbury	1,122.63	1,309.75	1,496.84	**1,683.95**	2,058.15	2,432.37	2,806.58	3,367.90
Swindon	1,119.12	1,305.66	1,492.16	**1,678.69**	2,051.72	2,424.78	2,797.81	3,357.38
Up Hatherley	1,114.44	1,300.20	1,485.92	**1,671.67**	2,043.14	2,414.64	2,786.11	3,343.34
All other parts of the Council's area	1,107.80	1,292.45	1,477.07	**1,661.71**	2,030.97	2,400.25	2,769.51	3,323.42

Table E

Parish Council Precepts, Tax Base and Council Tax for 2017/18 and 2018/19:

	2018/19			2017/18			
Parish	**Tax Base**	**Precept £**	**Council Tax Band D (£)**	**Tax Base**	**Precept £**	**Council Tax Band D (£)**	**Council Tax Increase/ (decrease)**
Charlton Kings	4,935.40	83,888.00	17.00	4,186.10	68,720.00	16.42	*3.53%*
Leckhampton with Warden Hill	3,412.40	62,700.00	18.37	1,842.80	33,812.23	18.35	*0.11%*
Prestbury	2,993.90	66,594.00	22.24	2,858.30	63,868.68	22.34	*(0.45%)*
Swindon	678.30	11,516.90	16.98	677.50	11,181.46	16.50	*2.91%*
Up Hatherley	2,525.10	25,150.00	9.96	2,155.00	21,505.34	9.98	*(0.20%)*
TOTAL		**249,848.90**			**199,087.71**		

6. To note that the relevant basic amount of council tax for the financial year 2018/19, which reflects a 2.99% and £5.89 increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZB of the Local Government Finance Act 1992 as amended and the Referendums Relating to Council Tax Increases (Principles) (England) Report 2018/19 and, therefore, the requirement to hold a referendum is not engaged.

Cheltenham Borough Council

Council – 19 February 2018

Nominations for Mayor Elect and Deputy Mayor Elect 2018-19

Accountable member	**Leader, Councillor Steve Jordan**
Accountable officer	**Chief Executive, Pat Pratley**
Accountable scrutiny committee	**n/a**
Ward(s) affected	**None directly**
Significant Decision	**No**
Executive summary	Councillor Bernard Fisher has served as Deputy Mayor since last year's Annual Council Meeting and Members will be asked to elect him as Mayor at this year's Annual Meeting. The Members shown towards the head of the Order of Precedence in Appendix 2 have been approached to ascertain if they are willing and able to have their name put forward for appointment as Deputy Mayor for 2018-2019. In the course of this process, some Members have highlighted that their decision on whether to put themselves forward for the role may depend on the results of the Borough elections in May 2018. Therefore it has been proposed that no nomination is put forward for Deputy Mayor elect at this stage and the nomination for Deputy Mayor is put to Annual Council in May following the elections.
Recommendations	**Council note** **i) The Order of Precedence in Appendix 2** **ii) That Councillor Bernard Fisher will be put to the Annual Council Meeting for election as Mayor for the Municipal year 2018 - 2019.** **iii) That the nomination for Deputy Mayor for the Municipal year 2018 – 2019 will be put to the Annual Council Meeting**

Financial implications	The allowances for Mayor and Deputy Mayor have been included in the budget proposals for 2018/19. **Contact officer: Paul Jones, paul.jones@cheltenham.gov.uk,** **01242 775154**

Legal implications	Whilst the Council operates the Rules Relating To Order Of Precedence Of Members as a local convention, the Council has final discretion as to which members it appoints as its Mayor and Deputy Mayor (Council chairman and vice-chairman). **Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk,** **01684 272012**
HR implications (including learning and organisational development)	None **Contact officer: Julie McCarthy** **julie.mccarthy@cheltenham.gov.uk, 01242 264355**
Key risks	None
Corporate and community plan Implications	The Mayor and Deputy Mayor promote the corporate and community objectives in carrying out their role as civic heads.
Environmental and climate change implications	None

1. Background

1.1 The rules relating to order of precedence of Members were amended by Council on 17 March 2008 and are attached as Appendix 1 and are set out in Appendix J in the Council's Constitution.

1.2 As part of that change it was agreed that once a councillor has achieved the office of Mayor they should remain at the bottom of the Order of Precedence in date order and should not be eligible to hold the office again unless all those above them on the Order of Precedence have chosen not to accept the honour or do not qualify for selection.

1.3 In addition if was agreed that a Member would not be eligible for consideration as Mayor unless they had a minimum of four years service prior to taking up office and a minimum of 3 years service prior to becoming Deputy Mayor.

2. Reasons for recommendations

2.1 The Council's Constitution provides that the Mayor and Deputy Mayor shall be elected at the Annual Council Meeting.

2.2 The Constitution also provides that in order to assist the Council the Chief Executive will maintain a list of members (called the "Order of Precedence") showing members' total service on the authority and, if appropriate their period of service since they served the Borough as its Mayor. This list is attached as Appendix 2.

2.3 Whilst the Council must formally make these appointments at the Annual Council Meeting, in accordance with the Constitution, the Order of Precedence is presented to the first Council meeting in the calendar year.

3. Alternative options considered

3.1 The alternative is for this Council meeting to note a nomination for Deputy Mayor Elect as it has done in previous years.

4. Consultation and feedback

4.1 Group Leaders were consulted by email in January and confirmed they were happy that the deferral of the nomination for Deputy Mayor Elect was a sensible approach in view of the elections.

Report author	**Contact officer:** Rosalind Reeves, Democratic Services Manager Rosalind.reeves@cheltenham.gov.uk, 01242 774937
Appendices	1. Rules relating to order of Precedence of Members 2. Order of Precedence
Background information	Council 14 April 2003 and 17 March 2008

Appendix 1

THE RULES RELATING TO THE ORDER OF PRECEDENCE OF MEMBERS

1. The Chief Executive (or the Monitoring Officer on his or her behalf) will maintain a list of all members showing their precedence in terms of:

    - their service on Cheltenham Borough Council,

    and this list will be referred to as “The Order of Precedence”. It is only of relevance in the determination of the succession of the posts of Mayor and Deputy Mayor.

2. To be eligible for consideration as Mayor a member must have had a minimum of four years service prior to taking up office.

3. To be eligible for consideration as Deputy Mayor a member must have had a minimum of three years service prior to taking up office.

4. The Deputy Mayor appointed to serve as such in a particular municipal year will be elected Mayor for the following municipal year provided he or she is willing, and remains eligible, to accept that office.

5. If the Deputy Mayor is unwilling or ineligible to accept nomination as Mayor, the nomination will be offered by the Chief Executive , following consultation with the Monitoring Officer, to members in accordance with The Order of Precedence until a member is able to accept the nomination.

6. Not later than 31st December in any year the Chief Executive (or the Monitoring Officer on his or her behalf) will approach the member at the head of The Order of Precedence (other than the Deputy Mayor) to ascertain if he or she is willing to accept nomination as Deputy Mayor for the next municipal year.

7. If the member approached by, or on behalf of, the Chief Executive is unwilling or unable to accept the nomination, the Chief Executive (or the Monitoring Officer on his or her behalf) will approach members in accordance with The Order of Precedence until a member is able to accept the nomination.

    The Chief Executive will inform the Council of the member’s willingness to accept nomination at its first ordinary meeting in the new calendar year.

8 The fact that a member approached by, or on behalf of, the Chief Executive is unwilling or unable to accept nomination as Deputy Mayor for a particular municipal year, shall not prevent that member being approached again in accordance with The Order of Precedence.

9. Where members have equal periods of service, a member with unbroken service on Cheltenham Borough Council will take precedence over a member with broken service.

10 Members who have served the borough as Mayor will be moved to the bottom of the Order of Precedence and will only be considered for selection if no other member is interested in taking on the position of Deputy Mayor/Mayor or is eligible to do so.

11. The precedence between members who notwithstanding paragraph 9 have equal periods of service on Cheltenham Borough Council shall be decided by lot conducted prior to the first ordinary meeting of the Council following municipal elections.

12. Any questions arising as to the application of these rules shall be determined by the Chief Executive, following consultation with the Monitoring Officer, and in consultation with the Group Leaders.

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Councillor (* indicates a ballot took place to decide order of precedence)	Ward	Political party	Next up for election	Date of election/period of service	Eligible service for Mayor 2018	Previous Mayor
McKinlay, Andrew	Up Hatherley	Lib Dem	2018	1991	27	0
Jordan, Steve A	All Saints	Lib Dem	2020	1986-1992, 1994, 1995-1999, 2002	27	0
Holliday, Sandra J	St. Mark's	Lib Dem	2018	1996	22	0
Seacome, Diggory C	Lansdown	Conservative	2020	2000	18	0
Stennett, Malcolm	Prestbury	PAB	2020	2000	18	0
Britter, Nigel C	Benhall & The Reddings	Lib Dem	2018	2002	16	0
Coleman, Chris	St. Mark's	Lib Dem	2020	2002-2008, October 2010	13	0
Hay, Rowena	Oakley	Lib Dem	2020	2002-2006, 2010	12	0
Baker, Paul	Charlton Park	Lib Dem	2018	1983-1992	12	0
Whyborn, Roger *	Up Hatherley	Lib Dem	2020	2008	10	0
Fisher, Bernard *	Swindon Village	Lib Dem	2020	2008	10	0
Walklett, Jon *	St. Paul's	Lib Dem	2018	2010	8	0
McCloskey, Helena *	Charlton Kings	Lib Dem	2018	2010	8	0
Jeffries, Peter *	Springbank	Lib Dem	2018	2010	8	0
Williams, Suzanne *	Springbank	Lib Dem	2020	2012	6	0
Harman, Tim *	Park	Conservative	2020	2012	6	0
Harvey, Steve	Charlton Park	Lib Dem	2020	1995-1999, 2016	6	0
Bickerton, Ian	Leckhampton	Independent	2020	2010-14,2016	6	0
Nelson, Chris*	Leckhampton	Conservative	2018	2014 -	4	0
Lillywhite, Adam L K *	Pittville	PAB	2018	2014 -	4	0
Clucas, Flo *	Swindon Village	Lib Dem	2018	2014 -	4	0
Wilkinson, Max *	Park	Lib Dem	2018	2014 -	4	0
Mason, Chris *	Landsdown	Conservative	2018	2014 -	4	0
Payne, John *	Prestbury	PAB	2018	2014 -	4	0
Babbage, Matt *	Battledown	Conservative	2018	2014 -	4	0
Savage, Louis	Battledown	Conservative	2020	May 2015 -	3	0
McCloskey,Paul	Charlton Kings	Lib Dem	2020	2016	2	0
Oliver, Tony	Warden Hill	Lib Dem	2020	2016	2	0
Parsons, Dennis	Pittville	Lib Dem	2020	2016	2	0
Collins, Mike	Benhall & The Reddings	Lib Dem	2020	2016	2	0
Hobley, Karl	St. Paul's	Lib Dem	2020	2016	2	0
Willingham, David	St. Peter's	Lib Dem	2020	2016	2	0
Hegenbarth, Alex	All Saints	Lib Dem	2018	2017 (May)	1	0
Thornton, Pat M	St. Peter's	Lib Dem	2018	1986 -	20	1996/97
Barnes, Garth W	College	Lib Dem	2018	1976-1983, 1990-1998, 2002	14	2003/04
Hay, Colin P	Oakley	Lib Dem	2018	1991-1995, 2006	5	2012/13
Flynn, Wendy L	Hesters Way	Lib Dem	2020	2002	4	2013/14
Wheeler, Simon	Hesters Way	Lib Dem	2018	2002	3	2014/15
Ryder, Chris	Warden Hill	Conservative	2018	1999-2002, Jan 2004- 2010, 2013	1	2016/17
Sudbury, Klara *	College	Lib Dem	2020	2008	0	2017/18

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