



# CHELTENHAM

## BOROUGH COUNCIL

### Notice of a meeting of Cabinet

**Tuesday, 12 February 2019**  
**6.00 pm**  
**Pittville Room - Municipal Offices**

<b>Membership</b>	
<b>Councillors:</b>	Steve Jordan, Flo Clucas, Chris Coleman, Rowena Hay, Alex Hegenbarth, Peter Jeffries and Andrew McKinlay

### Agenda

<b>SECTION 1 : PROCEDURAL MATTERS</b>			
<b>1.</b>		<b>APOLOGIES</b>	
<b>2.</b>		<b>DECLARATIONS OF INTEREST</b>	
<b>3.</b>		<b>MINUTES OF THE LAST MEETING</b> Minutes of the meeting held on 22 January 2019	(Pages 5 - 10)
<b>4.</b>		<b>PUBLIC AND MEMBER QUESTIONS AND PETITIONS</b> These must be received no later than 12 noon on the fourth working day before the date of the meeting	
		<b>SECTION 2 :THE COUNCIL</b> <i>There are no matters referred to the Cabinet by the Council on this occasion</i>	
		<b>SECTION 3 : OVERVIEW AND SCRUTINY COMMITTEE</b> <i>There are no matters referred to the Cabinet by the Overview and Scrutiny Committee on this occasion</i>	
		<b>SECTION 4 : OTHER COMMITTEES</b> <i>There are no matters referred to the Cabinet by other Committees on this occasion</i>	
		<b>SECTION 5 : REPORTS FROM CABINET MEMBERS AND/OR OFFICERS</b>	
<b>5.</b>		<b>REVIEW OF HACKNEY CARRIAGE FARES</b> Report of the Cabinet Member Development and Safety	(Pages 11 - 18)

6.	<b>HOUSING OPTIONS: FLEXIBLE HOMELESSNESS SUPPORT GRANT AND NEW BURDENS FUNDING</b> Report of the Cabinet Member Housing	(Pages 19 - 30)
7.	<b>BUDGET MONITORING REPORT 2018/19-POSITION AS AT DECEMBER 2018</b> Report of the Cabinet Member Finance	(Pages 31 - 46)
8.	<b>LOCAL DISCRETIONARY BUSINESS RATES RELIEF SCHEMES</b> Report of the Cabinet Member Finance	(Pages 47 - 72)
9.	<b>FINAL GENERAL FUND REVENUE AND CAPITAL BUDGET PROPOSALS 2019/20 (INCLUDING SECTION 25)</b> Report of the Cabinet Member Finance - Appendices 2-10 TO FOLLOW	(Pages 73 - 90)
10.	<b>FINAL HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS 2019/20</b> Report of the Cabinet Member Finance	(Pages 91 - 120)
	<b>SECTION 6 : BRIEFING SESSION</b> • Leader and Cabinet Members	
11.	<b>BRIEFING FROM CABINET MEMBERS</b>	
	<b>SECTION 7 : DECISIONS OF CABINET MEMBERS</b> Member decisions taken since the last Cabinet meeting	
	<b>SECTION 8 : ANY OTHER ITEM(S) THAT THE LEADER DETERMINES TO BE URGENT AND REQUIRES A DECISION</b>	
	<b>SECTION 9 : LOCAL GOVERNMENT ACT 1972 - EXEMPT BUSINESS</b>	
12.	<b>LOCAL GOVERNMENT ACT 1972 - EXEMPT BUSINESS</b> <b>The Cabinet is recommended to approve the following resolution:-</b>  “That in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3, Part (1) Schedule (12A) Local Government Act 1972, namely:  Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)	
13.	<b>A PROPERTY MATTER</b> Report of the Cabinet Member Development and Safety-	

	ITEM DEFERRED	

**Contact Officer:** Beverly Thomas, Democracy Officer, 01242 264246  
**Email:** [democratic.services@cheltenham.gov.uk](mailto:democratic.services@cheltenham.gov.uk)

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### Cabinet

**Tuesday, 22nd January, 2019  
6.00 - 6.30 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Steve Jordan (Leader of the Council), Chris Coleman (Cabinet Member Clean and Green Environment), Rowena Hay (Cabinet Member Finance), Alex Hegenbarth (Cabinet Member Corporate Services), Peter Jeffries (Cabinet Member Housing) and Andrew McKinlay (Cabinet Member Development and Safety)
<b>Also in attendance:</b>	Councillor Matt Babbage

### Minutes

**1. APOLOGIES**

Apologies were received from Councillor Clucas.

**2. DECLARATIONS OF INTEREST**

Councillor Coleman expressed an interest as a Gloucestershire County Councillor.

**3. MINUTES OF THE LAST MEETING**

The minutes of the meetings held on 4 and 18 December 2018 were approved and signed as a correct record.

**4. PUBLIC AND MEMBER QUESTIONS AND PETITIONS**

<b>1.</b>	<b>Question from Hannah Wright to the Cabinet Member Clean and Green Environment, Councillor Chris Coleman</b>
	Many people encountered technical difficulties responding to the consultation into waste collection and facilities in Cheltenham, which was run over the Christmas period. Has any consideration been taken into extending the consultation or adapting the questionnaire to minimise glitches in light of this?
	<b>Response from Cabinet Member</b>
	<p>Approximately 4,294 consultation responses were received, mainly on-line, but with some paper surveys returned, which is more than the previous consultation for the launch of the new recycling service, conducted in 2016 over a longer time period. The good response suggests that the timing did not impact adversely on the number of responses received.</p> <p>This initial consultation will be followed by a further consultation later in the year over a longer time period with the aim of capturing views from as many residents as possible. In addition, we will be arranging focus groups to help shape both future consultation and service delivery.</p> <p>Regarding the technical difficulties some members of the public experienced (24 residents contacted the council about this) when completing the survey, the website team have investigated and concluded that this was in part due to user</p>

error. There was one question on the form (the first question of Part 3) where users were asked to rank items in order of importance from 1 to 4. To do this, users needed to tick one box per row and only one box per column. If a user assigns more than one item, for example two “1 – most important”, the survey shows an error with explanatory text (please see screenshot below).



If the question isn't completed as per the instructions, the error will remain meaning a user would not be able to submit the form.

The problem may be due, to some extent, to the fact that when viewed on a smart phone, all four columns may not be immediately visible. Users may need to scroll across to view the fourth column. This could also occur with the second question in Part 1.

This issue could be mitigated by adding help text to relevant questions, instructing users to scroll across if they can't see all X number of columns. And/or we could use a statement telling users to view the survey in landscape on mobile devices. Alternatively, we could look to avoid this type of question in this format in future.

<b>2.</b>	<b>Question from James Clayton to the Cabinet Member Development and Safety, Councillor Andrew McKinlay</b>
	I understand that one of the core principles of the Cheltenham Transport Plan was to put people before traffic; however the closure of the key route appears to be causing more congestion, pollution and making Cheltenham a less appealing place to visit. Will the council listen to the strength of feeling and volume of feedback from residents and bring about an end to the trial at the earliest opportunity.
	<b>Response from Cabinet Member</b>
	It is not yet known if levels of pollution in the Borough have exceeded the national nitrogen-dioxide pollutant annual mean in 2018, but results will be available within the next couple of months.  In addition, the Council has commissioned a 'Detailed Assessment of Air Quality' which will help inform the assessment of outcomes relating to the Cheltenham

	Transport Plan, although it will not be possible to ascertain the specific contribution that the Boots' Corner restriction has, or has not had, on local air quality.
<b>3.</b>	<b>Question from Helen Little to the Cabinet Member Development and Safety, Councillor Andrew McKinlay</b>
	I note that one of the key objectives for the Boots Corner closure trial is that of 'modal shift' to reduce greenhouse gas emissions. Can anyone explain to me how diverting vehicles around the closed road, which increases the distance travelled, time for journey and results in more traffic jams achieves this goal? Specifically, I am very worried about the new inner ring road which has developed from Bayshill around St James's Street and the now very hazardous and polluted double roundabout junction at Clarence Street – Knapp Road – Ambrose Street adjacent to St Gregory's church and school as cars try to access the St George's Street – Swindon Road T-junction heading North.
	<b>Response from Cabinet Member</b>
	<p>We have been implementing an additional air quality monitoring point near St Gregory's Church, in response to perceptions about increased pollution in this area. However, this location is not currently giving any indication that statutory limits would be breached. Results are available each month on our website at: <a href="https://www.cheltenham.gov.uk/downloads/download/1645/air_quality_briefing_notes">https://www.cheltenham.gov.uk/downloads/download/1645/air_quality_briefing_notes</a></p> <p>In a supplementary question Dr Little asked how stationary or slow moving traffic created less pollution in narrow streets.</p> <p>In response Councillor McKinlay explained that the more confined the area the more pollution would be created. He referred to St James Square which was more open and pollutants were able to escape quickly. Monitoring had been undertaken on Ambrose Street and St James Square over the last 3 months and data for this was available on the council's website. With regard to St George's Street/Swindon Road there had not been adequate baseline monitoring to date as this had been highlighted as an area of concern only recently. The Cabinet Member explained that there appeared to be some confusion with regard to breaching DEFRA guidelines. The car based pollutant nitrogen dioxide limit was 40 µg/m<sup>3</sup> as an annual mean and 200 µg/m<sup>3</sup> not to be exceeded more than 18 times a year. The additional air quality monitoring near St Gregory's Church had not yet gathered 12 months of data. The increase in traffic was assessed to be 20-30% but was not regarded by GCC as a significant issue and to date there were no signs of issues of air pollution along that route.</p>

**5. CHELTENHAM TRANSPORT PLAN-UPDATE REPORT**

The Cabinet Member Development and Safety introduced the report and referred to the decision made by Council on 21 January by 26 votes to 8 to recommend to Cabinet that the CTP trial be extended.

The Cabinet Member wished to put on record his thanks to both county council officers and CBC officers for their significant contributions and also paid tribute to Rupert Cox from Stagecoach for his input at the Council meeting.

**RESOLVED THAT**

- 1. The decisions of Council set out in 1(a), (b) and (c) of the report be noted.**

2. **The extension of the CTP trial be agreed.**
3. **The Managing Director Place and Growth, in consultation with the Cabinet Member Development and Safety be authorised to work with GCC to facilitate the extension of the CTP trial.**

**6. HOUSING REVENUE ACCOUNT NEW BUILD AT MONKSCROFT VILLAS**

The Cabinet Member Housing introduced the report which sought approval in principle to the construction of 29 new units on a brownfield site at Monkscroft Villas, Princess Elizabeth Way and to go out to tender to seek bids from potential contractors to build the development. The housing tenure mix was outlined in the scheme details at paragraph 2 of the report and there would potentially be the introduction of a private element. He reported that pre-planning application discussions had taken place and a further report would be brought to Cabinet and Council for approval once the contractors had been appointed, planning permission approved and details finalised.

The Leader added that this was the first key site to be redeveloped since the Council decision to invest £100 million in housing across the borough. He welcomed the addition of 29 new homes to the benefit of the town.

**RESOLVED THAT**

1. **The construction of 29 new units at Monkscroft Villas, Princess Elizabeth Way as set out in the report be approved in principle.**
2. **Bids from potential contractors be sought to build the new housing for the Authority.**
3. **It be noted that a further report be brought back to Cabinet and Council to seek approval to the Authority undertaking the development and to approve the award of the contract to the successful contractor.**

**7. ABANDONED TROLLEYS**

The Cabinet Member Development and Safety introduced the report and explained that in October 2017 a report was brought to Cabinet detailing the Council's proposed approach to dealing with abandoned shopping trolleys. This report contained a full description of the legal powers available to the Council in respect of abandoned trolleys and the associated procedures and consultation required to enable the council to use them. The current report detailed the outcome of the consultation and proposed charging regime. It recommended the adoption of Schedule 4 on the specified date, but it was also the intention to request that retailers signed up to a voluntary protocol in the period before implementation as detailed in appendix 3. Following on from the consultation there was a requirement to make a resolution stating the date on which the Schedule 4 controls would come into force, being not less than three months from the date on which the resolution is passed.

**RESOLVED THAT**



1. **Section 99 Schedule 4 of the Environmental Protection Act 1990 (as amended by the Clean Neighbourhoods and Environment Act 2005) be adopted with an implementation date of 1st May 2019 and that notice of this resolution be published as required.**
2. **the abandoned trolley policy and associated protocol, as contained in Appendix 3 be agreed and that this policy, with the associated charging regime, be reviewed and updated from time to time by the Enforcement Manager in consultation with the Cabinet Member for Development and Safety.**

**8. BRIEFING FROM CABINET MEMBERS**

The Cabinet Member Clean and Green Environment reported that more than 4000 responses had been received to the waste and recycling consultation which was an astonishing result. He wished to thank officers, the communications team and the public for their input. The team was currently examining the survey results but on the whole residents were satisfied with the service and supported the recommendation for more recycling. In addition a significant number of respondents agreed the need for a local household recycling centre.

The Cabinet Member Clean and Green Environment also referred to the cemetery and crematorium project which was being delivered on time and on budget. The operation would be open for services on 4 March and there would be a public open day on 2 March to give stakeholders and the public an opportunity to look around the buildings.

The Cabinet Member Corporate Services was pleased to report that Sochi, as Cheltenham's twin town, had been back in contact and he would be discussing this with the twinning committee on what form any future engagement could take.

The Leader informed Cabinet that a cross party meeting of south west councils had written to James Brokenshire, Secretary of State, with regard to the lack of coherent information being provided to local authorities with regard to Brexit.

**Chairman**

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## Cheltenham Borough Council Cabinet – 12 February 2019 Review of Hackney Carriage Fares

<b>Accountable member</b>	<b>Councillor Andrew McKinlay, Cabinet Member for Development &amp; Safety</b>
<b>Accountable officer</b>	<b>Mike Redman, Director of Environment</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 permits the council to set fares for hackney carriage, or taxi, vehicles licensed by it.</p> <p>A review has been undertaken and this report seeks approval from Cabinet to revise the current approved fares in accordance with this report.</p>
<b>Recommendations</b>	<p><b>Cabinet is recommended to:</b></p> <ol style="list-style-type: none"> <li><b>1. Approve the revised methodology and proposed maximum fare increase for hackney carriages; and</b></li> <li><b>2. Delegate authority to the Licensing Team Leader to carry out the necessary advertising requirements to comply with section 65 of the Local Government (Miscellaneous Provisions) Act 1976; and</b></li> <li><b>3. Subject to there being no substantive amendments being made following consultation, delegate authority to the Director of Environment to adopt the proposed fares.</b></li> </ol>
<b>Financial implications</b>	<p>There are no direct financial implications to this paper apart from the costs of the consultation which cannot be avoided. These costs are minimal and can be covered by current budgets.</p> <p><b>Contact officer: Andrew Knott, <a href="mailto:Andrew.knott@cheltenham.gov.uk">Andrew.knott@cheltenham.gov.uk</a>, 01242 264121</b></p>

<p><b>Legal implications</b></p>	<p>The authority for the council to fix fares for hackney carriages is given under Section 65 of the Local Government (Miscellaneous Provisions) Act 1976. When a council makes or varies a table of fares, it must publish in one local newspaper a notice setting out the table of fares, or variations to the table, specifying the period (not less than 14 days) within which, objections to the table or variations can be made. A copy of the proposed tariff must be available at the council's offices for the public to inspect, free of charge, at all reasonable hours. If there are no objections, the table, or variation, will come into effect on the expiration date of the period specified in the notice.</p> <p><b>Contact officer: vikki.fennell@teWKesbury.gov.uk, 01684 272015</b></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>There are no HR implications arising from this report.</p> <p><b>Contact officer:</b> Clare Jones, clare.jones@publicagroup.uk</p>
<p><b>Key risks</b></p>	<p><b>As identified in Appendix 1</b></p>
<p><b>Corporate and community plan Implications</b></p>	<p>N/A</p>
<p><b>Environmental and climate change implications</b></p>	<p>N/A</p>
<p><b>Property/Asset Implications</b></p>	<p>N/A</p>

## 1. Background

- 1.1 Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 permits the council to set the maximum fares for hackney carriage vehicles licensed by it.
- 1.2 The last hackney carriage fare review was undertaken in 2017 when Cabinet approved a 6% increase based on the council's adopted fare formula.
- 1.3 A further review of hackney carriage fares has been undertaken and this report seeks approval from Cabinet to revise the current fare table for hackney carriage vehicles.

## 2. Revised methodology

- 2.1 In previous years, the council used an adopted fare calculation formula for determining hackney carriage fares on each review cycle. The aforementioned formula was based on a set of assumptions which reflect the costs which will be incurred by a good owner-driver who spends whatever is necessary to operate and maintain his hackney carriage to a high standard.
- 2.2 The said index components are:
  - Vehicle Cost
  - Replacement Parts
  - Tyres
  - Service Labour
  - Fuel
  - Insurance
  - Miscellaneous
  - Average National Earnings
- 2.3 The formula relied on, among other factors, data published annually by the AA relating to running costs. The AA however stopped publishing this data which compromised the effectiveness of the adopted policy.
- 2.4 Accordingly, a review of the council's fare setting methodology was undertaken to ensure the council's approach remains effective and can fairly reflect the cost of running a hackney carriage vehicle in Cheltenham.

## 3. Consultation

- 3.1 In November 2018, the council consulted with the public hire trade on proposed revised methodologies for calculating hackney carriage fares in Cheltenham. The proposals consulted on were:
  - 3.1.1 **Local running costs** – The council's preferred route for calculating Hackney Carriage fares would be for the local public hire trade to submit to the council evidence of their running costs. The council is of the view that the local public hire trade would be best placed to provide the council with this information and also that this would constitute the most accurate basis for a fare calculation.

**3.1.2 Fares linked to inflation** – The alternative proposal was for the council to use the 2016/17 running costs as a baseline and apply a rate of inflation to this to determine the Hackney Carriage fares for 19/20.

**3.1.3 Other** - The council also welcomed any other proposals for Hackney Carriage fare calculation approaches moving forward.

**3.2** The council received no responses to this consultation which consequently rendered the first and last proposals unviable.

#### **4. Fares linked to inflation**

**4.1** It is therefore proposed that this fare review be based on an approach where the 2016/17 running costs are used as a baseline for the review and that the annual rate of inflation be applied to calculate a percentage increase (or decrease in the case of deflation) to be applied.

**4.2** Using this approach, it is proposed that the fares charged be increased by 6% accounting for annual rates of inflation of 2.68% in 2017 and 2.51% in 2018. For the sake of ease and practicality, it is proposed to be rounded to 6%.

**4.3** Attached at appendix 2 is a revised fare card reflecting the proposed increase. It is not mathematically possible to reflect the proposed increase for each full mile as illustrated on the revised fare card.

**4.4** However, overall the average increase is reflected in the baseline numbers.

**4.5** The trade has informally requested that the proposed increase be reflected in the initial “flag fall” rather than adjusting the time and/or distance calculations.

#### **5. Adoption**

**5.1** Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 prescribes that the Council must consult if it proposes to set or vary hackney carriage fares.

**5.2** It must do so by publishing a notice in a local newspaper setting out the variation and specifying a period and means of objecting. The specified period cannot be less than 14 days.

**5.3** If no objections are made or any made are withdrawn, the proposed fares will take effect on the specified date. However, if objections are made and not withdrawn, the council must set a further date, not later than two months after the initial date, on which the proposed fares shall come into force with or without modifications as decided after consideration of any objections.

#### **6. Alternative options considered**

**6.1** The council can decide not to increase hackney carriage fares as part of this review although this option is not considered desirable as it would result in an owner-driver not being able to fully recover the costs which will be incurred by them to operate and maintain their hackney carriage to a high standard.

<b>Report author</b>	<b>Contact officer: Louis Krog, <a href="mailto:louis.krog@cheltenham.gov.uk">louis.krog@cheltenham.gov.uk</a>, 01242 262626</b>
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## Page 15

<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Proposed revised fare card</li></ol>
<b>Background information</b>	<ol style="list-style-type: none"><li>1. Local Government (Miscellaneous Provisions) Act 1976</li><li>2. Cheltenham Borough Council 2016 hackney carriage fares</li></ol>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the council decides not to approve the recommended increase in fares, licence holders will be unable to recover their costs and earn a proper living, which could result in the council being legally challenged which could adversely affect the council's reputation.	Director of Environment	Feb 19	2	2	4	Reduce	Adopt recommendations		Licensing Team Leader	
	If the council does not have a proposed basis for calculating hackney carriage fares, the council may be unable to defend a legal challenge on the fares set and the method used.	Director of Environment	Feb 19	3	2	6	Reduce	Adopt recommendations		Licensing Team Leader	
<p><b>Explanatory notes</b></p> <p><b>Impact</b> – 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)</p> <p><b>Likelihood</b> – 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)</p> <p><b>Control</b> - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											



CHELTENHAM

**CURRENT TARIFF**

<b>Name :</b> <b>TARIFF 1</b> <b>Date:</b> 24/02/2017 <b>Soiling charge:</b> £50.00 <b>Wait:</b> 50 (secs) <b>Flag fall:</b> £2.60 A <b>Initial yardage:</b> 251 B <b>Unit thereafter:</b> 251 C <b>Price unit :</b> 0.3 <b>Initial Waiting Time (secs):</b> 50	<b>Name :</b> <b>TARIFF 2</b> <b>Date:</b> 24/02/2017 <b>Soiling charge:</b> £50.00 <b>Wait:</b> 50 (secs) <b>Flag fall:</b> £3.20 A <b>Initial yardage:</b> 201 B <b>Unit thereafter:</b> 201 <b>Price unit :</b> 0.3 D <b>Initial Waiting Time (secs):</b> 50	<b>Name :</b> <b>TARIFF 3</b> <b>Date:</b> 24/02/2017 <b>Soiling charge:</b> £50.00 <b>Wait:</b> 50 (secs) <b>Flag fall:</b> £4.40 A <b>Initial yardage:</b> 143 B <b>Unit thereafter:</b> 143 C <b>Price unit :</b> 0.3 <b>Initial Waiting Time (secs):</b> 50
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**Feb-19**

<b>Name :</b> <b>TARIFF 1</b> <b>Soiling charge:</b> £50.00 <b>Wait:</b> 50 (secs) <b>Flag fall:</b> £3.10 A <b>Initial yardage:</b> 251 B <b>Unit thereafter:</b> 251 C <b>Price unit :</b> 0.3 D <b>Initial Waiting Time (secs):</b>	<b>Name :</b> <b>TARIFF 2</b> <b>Soiling charge:</b> £50.00 <b>Wait:</b> 50 (secs) <b>Flag fall:</b> £3.80 A <b>Initial yardage:</b> 201 B <b>Unit thereafter:</b> 201 C <b>Price unit :</b> 0.3 D <b>Initial Waiting Time (secs):</b>	<b>Name :</b> <b>TARIFF 3</b> <b>Soiling charge:</b> £50.00 <b>Wait:</b> 50 (secs) <b>Flag fall:</b> £5.30 A <b>Initial yardage:</b> 143 B <b>Unit thereafter:</b> 143 C <b>Price unit :</b> 0.3 D <b>Initial Waiting Time (secs):</b>
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Distance (miles)	TARIFF 1			TARIFF 2			TARIFF 3		
	Current	Proposed	% Change	Current	Proposed	% Change	Current	Proposed	% Change
<b>Flag</b>	£2.60	<b>£3.10</b>	19.23%	£3.20	<b>£3.80</b>	18.75%	£4.40	<b>£5.30</b>	20.45%
<b>1</b>	£4.70	<b>£5.20</b>	10.64%	£5.60	<b>£6.20</b>	10.71%	£8.00	<b>£8.90</b>	11.25%
<b>2</b>	£6.80	<b>£7.30</b>	7.35%	£8.30	<b>£8.90</b>	7.23%	£11.60	<b>£12.50</b>	7.76%
<b>3</b>	£8.90	<b>£9.40</b>	5.62%	£11.00	<b>£11.60</b>	5.45%	£15.20	<b>£16.10</b>	5.92%
<b>4</b>	£11.00	<b>£11.50</b>	4.55%	£13.70	<b>£14.30</b>	4.38%	£19.10	<b>£20.00</b>	4.71%
<b>5</b>	£13.10	<b>£13.60</b>	3.82%	£16.10	<b>£16.70</b>	3.73%	£22.70	<b>£23.60</b>	3.96%
<b>6</b>	£15.20	<b>£15.70</b>	3.29%	£18.80	<b>£19.40</b>	3.19%	£26.30	<b>£27.20</b>	3.42%
<b>7</b>	£17.30	<b>£17.80</b>	2.89%	£21.50	<b>£22.10</b>	2.79%	£30.20	<b>£31.10</b>	2.98%
<b>8</b>	£19.40	<b>£19.90</b>	2.58%	£24.20	<b>£24.80</b>	2.48%	£33.80	<b>£34.70</b>	2.66%
<b>9</b>	£21.50	<b>£22.00</b>	2.33%	£26.60	<b>£27.20</b>	2.26%	£37.40	<b>£38.30</b>	2.41%
<b>10</b>	£23.60	<b>£24.10</b>	2.12%	£29.30	<b>£29.90</b>	2.05%	£41.30	<b>£42.20</b>	2.18%
	Average +/- %		5.85%			5.73%			6.16%

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**Cheltenham Borough Council  
Cabinet – Tuesday 12<sup>th</sup> February 2019  
Housing Options – Flexible Homelessness Support Grant and New  
Burdens Funding**

<b>Accountable member</b>	<b>Councillor Peter Jeffries – Cabinet Member - Housing</b>
<b>Accountable officer</b>	<b>Martin Stacy – Lead Commissioner – Housing Services</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>This report sets out the spending proposals for Cheltenham Borough Homes’ Housing Options Service, using additional funding provided by the Ministry of Housing and Local Government (MHCLG). This funding is made up of New Burdens Funding (to take account of the additional responsibilities placed on councils as a result of the introduction of the Homelessness Reduction Act in 2018) and a Flexible Homelessness Support Grant.</p> <p>Both the New Burdens Funding and the Flexible Homelessness Support Grant have been made available to the council annually since 2017, and a report went to Cabinet in November 2017 detailing spending plans for the period 2017/18 to 2018/19. For the period 2019/20 the MHCLG have announced an increase in the level of Flexible Homelessness Support Grant to be allocated to the council. This additional funding provides the council with opportunities to invest more resources into the Housing Options Service, taking account of the increase in demand on the service as a result of the Homelessness Reduction Act, as well as providing opportunities to address any potential gaps in service provision. It is proposed this funding is utilised over a 2 year period to take account of uncertainties in the funding arrangements post April 2020. It is intended that a further report will be brought to Cabinet after the MHCLG have announced their funding plans for 2020-21.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. To approve the transfer to Cheltenham Borough Homes’ Housing Options Service the sum of £196,577; this being part of the MHCLG’s New Burdens Funding and Flexible Homelessness Support Grant funding allocation to the council for 2019/20.</b></li> <li><b>2. To note that the indicative expenditures detailed within Appendix 2 of the report may need to be flexible, depending upon demands of the service. The authority to make any changes to these spending plans is delegated to the Lead Commissioner – Housing Services, in consultation with Cabinet Member – Housing.</b></li> </ol>

<b>Financial implications</b>	<p>To assist councils in responding to the new duties created by the Homelessness Reduction Act, MHCLG has allocated of £32,557 New Burdens Funding and approximately £220,000 Flexible Homelessness Support Grant for the period 2019/20. Given the uncertainties over future funding arrangements post April 2020, it is proposed that this funding allocation for 2019/20 is utilised over a two year period, in combination with the underspend of New Burdens Funding and Flexible Homelessness Support Grant carried forward from 2018/19, as detailed in Appendix 2 of this report.</p> <p>The remainder of the MHCLG funding allocation (c.£56,000) will remain with the council. £42k will be used to part fund a new Housing Strategy &amp; Enabling post over two years, subject to approval from Council, with the remaining £14k to be allocated in due course, again, subject to the relevant approvals.</p> <p><b>Contact officer: Sarah Didcote,</b> <b>Sarah.didcote@cheltenham.gov.uk, 01242 264125</b></p>
<b>Legal implications</b>	<p>Homelessness support and prevention initiatives and schemes developed and funded through the Department for Communities and Local Government Grant assists the Council in meeting its statutory duties to those threatened with homelessness and homeless applicants including those placed in Temporary Accommodation under the Homeless provisions of the Housing Act 1996 (as amended). The new resources are expected to be used to strengthen homelessness prevention in the District.</p> <p><b>Contact officer: Vikki Fennell</b> <b>vikki.fennell@tewkesbury.gov.uk, 01684 272015</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>There are no HR implications arising from this report for Cheltenham Borough Council, however, if the proposed activities impact any employees of the Housing Options Service, then these will be managed and supported by Cheltenham Borough Homes' Human Resources Team.</p> <p><b>Contact officer: Clare Jones, HR Business Partner</b> <b>clare.jones@publicagroup.uk, 01242 624364</b></p>
<b>Key risks</b>	<p><b>Please see risk register at Appendix 1</b></p>
<b>Corporate and community plan Implications</b>	<p>This will support our community outcome: people live in strong, safe and healthy communities</p>
<b>Environmental and climate change implications</b>	<p>None as a direct result of this report</p>
<b>Property/Asset Implications</b>	<p>None as a direct result of this report. Staff accommodation will be provided within existing office space.</p> <p><b>Contact officer: Dominic Stead, Head of Property Services</b> <b>Dominic.stead@cheltenham.gov.uk</b></p>

## **1. Background**

- 1.1** In November 2017, Cabinet approved the transfer of the Ministry of Housing, Communities and Local Government's (MHCLG) New Burdens Funding and the new Flexible Homelessness Support Grant, to Cheltenham Borough Homes' Housing Options Service in preparation for the implementation of the Homelessness Reduction Act in April 2018. As a result of this additional funding, improvements were made to the Housing Options Team, with the recruitment of an additional Housing Options Officer, and a new Housing Solutions Officer, focusing on developing initiatives to help prevent homelessness through the private rented sector.
- 1.2** This injection of funding coincided with a substantial increase in the number of households presenting to the Housing Options Service, following the introduction of the Homelessness Reduction Act. From April to end December 2018 there were 387 homelessness applications, compared with 216 over the same period during 2017, representing a 79% increase.
- 1.3** The additional resources put into the service to help manage this increase in demand and to find more preventive solutions for homeless households has led to a significant increase in the number of homelessness preventions and reliefs by the Housing Options Service. (Reliefs are when a settled housing solution is found for a homeless household before a statutory homeless duty is triggered.) Over the period April 2018 to December 2018 there were 187 households whose homelessness was prevented or relieved. This compares with 109 households over the same period in 2017.
- 1.4** The result is that homelessness acceptances (i.e. when the statutory homelessness duty is triggered) have reduced from 75 over the period April to December 2017 to 24 over the same period in 2018.
- 1.5** The MHCLG have now announced that, following changes to how the Flexible Homelessness Support Grant (FHSG) is calculated, the council is due to receive approximately £220,000 FHSG for 2019-20. This is an increase from approximately £67,000 that was awarded for the period 2018-19, and is in addition to the New Burdens Grant allocation of £32,567, also confirmed for 2019-20, and which is being provided to take account of the new responsibilities placed on councils as a result of the Homelessness Reduction Act.

## **2. Flexible Homelessness Support Grant and New Burdens Funding 2019-20**

- 2.1** There is currently some uncertainty over MHCLG's grant funding arrangements post 2020. The council has been advised that a new formula is likely to be applied to the Flexible Homelessness Support Grant, and this heightens the uncertainty further. In addition, at present there has been no confirmation from MHCLG that the New Burdens Funding will continue post 2020.
- 2.2** In view of this uncertainty, it is proposed that the 2019-20 Flexible Homelessness Support Grant is utilised over a two year period in order to generate more certainty over service provision. This will also provide the council with more time to consider how successful the initial funding plans have been in delivering key outcomes; thereby enabling any necessary changes to be made later, should this be appropriate. It is envisaged that a further report will be presented to Cabinet in February 2020, firming up spending plans for 2020-21 and potentially 2021-22, by which time it is anticipated that MHCLG will have confirmed its future funding commitments to the council.
- 2.3** In order to maximise our spending plans over this two year period, it is intended that we carry forward the underspend of New Burdens funding and Flexible Homelessness Support Grant which has accrued during 2018-19. This underspend has come about as a result of:
- Challenges in recruiting a Housing Solutions Officer, which led to a lengthy delay in securing an officer for the post;
  - Significant team resources having to be diverted to implementing the changes brought about by the Homelessness Reduction Act (i.e. creating new processes, procedures, and

receiving training, etc.);

- Significant workload pressures as a result of an increase in homelessness approaches, along with a higher than normal staff turnover;
- The Housing Options Team taking advantage of other funding opportunities to deliver key outcomes, such as the use of the council's Discretionary Hardship Payments, which is managed by the council's Housing Benefits service.

### **3. Proposed use of the New Burdens funding and Flexible Homelessness Support Grant**

- 3.1** Appendix 2 provides details of our proposed spending plans. In summary, it is proposed that the current additional Housing Options Officer post, along with the Housing Solutions Officer post, (both of which are being funded from the existing allocation of New Burdens and Flexible Homelessness Support grant funding) will continue to be funded. Both roles will help to manage the increase in demand on the Housing Options Service, and will support the delivery of key outcomes, as detailed in Section 1 above. The Housing Solutions Officer will continue to explore, open up and establish clear pathways to prevent and relieve homelessness across a range of areas. Part of this work will be to work with private landlords to establish trust and provide private rented solutions, whilst looking at new initiatives for those affected by changes in housing benefit regulations, and restrictions on benefit levels for applicants under 35. It is therefore also proposed that funding will continue to be allocated to support a range of initiatives that will help households gain access to alternative accommodation, as detailed at Appendix 2.
- 3.2** In addition, it is proposed that a new role is created - a Housing Interventions Officer - on a 2 year fixed term basis, to provide support to households approaching the Housing Options Service as homeless. The rationale for the creation of this new post is detailed in Section 4 below.

### **4. Reasons for recommendations**

- 4.1** New duties arising from the Homelessness Reduction Act, in combination with an increase in demand on the Housing Options Service from homeless households, means that it is appropriate to continue to fund the two additional posts as detailed in Section 3 above, and to provide the necessary funding options that will continue to support the delivery of a range of initiatives and practical steps to prevent homelessness by the Housing Options Team.
- 4.2** In addition, it is proposed that a new post – a Housing Interventions Officer - is created, on a 2 year fixed term contract. The proposal for creating this post has come about from learning that has been derived since the implementation of the Homelessness Reduction Act, as follows:
- 4.2.1** Despite the positive outcomes, as highlighted in section 1 above, there have been a number of households who have removed themselves from the homelessness application process, or where their situation has remained unresolved. Over the period April to December 2018, the homelessness prevention duty was ended on 25 households because they no longer engaged with the service. In addition, a further 39 households who had become homeless simply stopped engaging with the Housing Options Service. The Housing Options Team work with households who are often vulnerable, chaotic and who have multiple and complex issues. Resolving the housing situation will often be one issue of many that a household may face at that time. A review of these cases confirms that a number of these households would have benefitted from additional support in order for a more holistic approach to be taken to managing their housing issues. If that support had been in place, then it is likely that more households approaching the Housing Options Service could have been helped into securing a settled housing solution.
- 4.2.2** Of the 378 homeless applications that made to the Housing Options Service in the first nine months from April 2018, 256 of the households were identified as having a support need - yet only 90 of these households were in fact engaged with support agencies at the initial point of contact.

Whilst it is not possible to directly translate this to a household requiring additional support from a Housing Interventions Officer, it is reasonable to assume that most would have benefited from the assistance that a Housing Interventions Officer could have provided; either through direct support provision from the Officer, or where more appropriate, through the Officer's coordination of support from other services.

**4.2.3** It has also become clear that many of the barriers to accessing the private rented sector are attributable to private landlords' concerns about vulnerable households not being adequately supported. It is envisaged that the Housing Interventions Officer would undertake the role of providing reassurance to landlords so that, should support be needed for those households which the council has placed into the private rented sector as part of its homelessness prevention work, then that support will be provided.

**4.2.4** In terms of the overall functions of the role, it is envisaged the Housing Interventions Officer will:

- Be responsible for providing extra resource and assistance to those most in need
- Be a key person for managing the relationship between supporting agencies and in trying to obtain and/or maintain accommodation
- Be effective and outcomes driven
- Provide support for vulnerable and complex households
- Link households to appropriate services
- Add value to services already in place rather than duplicate services
- Ensure high risk vulnerable clients have fair access to services
- Respond quickly and effectively to crisis situations
- Work closely with households in emergency accommodation
- Support vulnerable clients to ensure accommodation is maintained, or where necessary help to secure accommodation
- Work closely and effectively with the Housing Options Officers.

## **5. Alternative options considered**

A number of alternative options were considered. These included having a role with a specific focus on young people, perhaps in the form of a mediation-type service. Consideration was also given to the development of a Money House – i.e. making available accommodation to train prospective tenants on how to maintain their accommodation. However it is considered that the Housing Interventions role is likely to be more impactful and cost effective in delivering positive outcomes for the Housing Options Service, and in some ways this role may well touch upon the other ideas that were considered. As the Housing Interventions role is initially for a two year period, there will be opportunities in the intervening time to consider its success and whether future investment in this area is warranted, should further funding be available.

## **6. Consultation and feedback**

**6.1** Consultation has been carried out with the Housing Options Team to review the impact of the Act, and to understand where indicative resources should be placed in order to maximize outcomes in reducing homelessness. These proposals have been discussed with, and are supported by the council's Lead Commissioner – Housing Services, and the council's Housing Strategy and Enabling Officer.

## **7. Performance management – monitoring and review**

**7.1** Regular performance monitoring meetings are already in place between the council and the Housing Options Service. Outcomes, and expenditure against these outcomes, will be monitored; and where necessary, the indicative proposals detailed within Appendix 2 may be changed if this is in the best interests of reducing homelessness and providing value for money. Any such changes will be agreed with the Lead Commissioner – Housing Services, in consultation with Cabinet Member – Housing.

<b>Report author</b>	<b>Contact officer: Martin Stacy, Lead Commissioner – Housing Services,</b> <b>martin.stacy@cheltenham.gov.uk,</b> <b>01242 264171</b>
<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Indicative costings for delivery of enhanced Housing Options Service and ensuring compliance with the Homelessness Reduction Act 2017.</li></ol>
<b>Background information</b>	Report to Cabinet, November 2017



The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If staffing levels within the Housing Options Team are not supported through the utilisation of MHCLG funding as detailed within this report, then the team will be less equipped to deal with the increase in the number of households approaching the service, and the increased time expected to manage each individual case as a result of the Homelessness Reduction Act.	Martin Stacy	10.1.19	3	5	15	Reduce	Cabinet to accept the recommendation within this report	7 <sup>th</sup> Nov	Paul Tuckey CBH	
	If the level of assistance that the Housing Options Team can offer to applicants is increased, then this could result in people from neighbouring districts seeking assistance from the Housing Options Service.	Martin Stacy	10.10.17	3	2	6	Reduce	The Housing Options Team will be increasing its level of assistance in line with the new Homelessness Reduction Act Legislation which will also be the case for neighbouring authorities across Gloucestershire who currently all offer different levels of assistance.  Local connection criteria will still apply where duties to house permanently are owed.	ongoing	Paul Tuckey - CBH	

								CBH will monitor presentations to the Housing Options Service as a result of any discrepancies in service across the authorities, and will seek to identify solutions with neighbouring authorities as part of their operational partnership meetings. Any issues requiring escalation can be aired for resolution at Strategic Housing Officers Group, followed by Strategic Directors Group, if required.			
	If MHCLG funding is significantly reduced post 2020, then it may not be possible to fund the additional posts as detailed within this report. (In particular, the additional Housing Options Officer and the Housing Solutions Officer are to become permanent posts during 2019)	Martin Stacy	10.1.18	3	3	9	Reduce	<p>Ensure that funding is planned over two years in order to guarantee funding of the posts over this period – as detailed within Appendix 2 of this report.</p> <p>Should future funding be unavailable after April 2021, then the Housing Options Service will have to review its service priorities, and if necessary the new permanently created posts may have to be</p>		Martin Stacy, CBC	Paul Tuckey, CBH

								made redundant, which would have to be financed from the MHCLG funding provision.			
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**Explanatory notes**

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

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6  
(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

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

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### Allocation and Expenditure of MHCLG's New Burdens Funding and Flexible Homelessness Support Grant

The table below shows the funding arrangements for the period 2017/18 to 2018/19, and the proposed funding arrangements for the period 2019/20 to 20/21. Funding proposals for 2019/20 and 2020/21 is comprised of funding from the MHCLG's grant allocation for 2019/20, in combination with grant funding carried forward from 2018/19.

	2017/18	2018/19	2019/20	2020/21
Flexible Homelessness Support Grant	£ 63,901	£ 67,300	£ 164,000	TBC
New Burdens Funding	£ 31,838	£ 29,163	£ 32,577	TBC
Funding Brought Forward	£ -	£ 78,778	£ 104,180	£ 150,563
<b>Total Funding</b>	<b>£ 95,739</b>	<b>£ 175,251</b>	<b>£ 300,747</b>	<b>£ 150,563</b>
Total Expenditure per below	£ 16,961	£ 71,071	£ 150,584	£ 150,563
<b>Funding balance at end of year</b>	<b>£78,778</b>	<b>£104,180</b>	<b>£150,573</b>	<b>£0</b>
<u>Expenditure</u>				
Housing Options Officer	£ 6,938	£ 25,975	£ 38,599	£ 38,599
Housing Options Assistant	£ 2,083	£ 5,378	£ -	£ -
Solutions Officer	£ -	£ 18,718	£ 38,599	£ 38,599
Interventions Officer			£ 34,671	£ 34,671
officer on-costs	£ -	£ -	£ 1,215	£ 1,215
Agency fees	£ 5,201	£ -	£ -	£ -
Training Fees (External)	£ 2,287	£ 2,000	£ 1,000	£ 1,000
Furnished accommodation additional contribution	£ -	£ -	£ 7,000	£ 5,923
Housing debt, rent arrears for one off payments	£ -	£ 1,000	£ 4,000	£ 4,000
Landlords incentive, Deposit, Rent-in-advance	£ -	£ 15,000	£ 21,000	£ 21,000
Prevention purse	£ 220	£ 3,000	£ 4,500	£ 5,566
Miscellaneous Expenses	£ 232	£ -	£ -	£ -
<b>Total Expenditure per above</b>	<b>£ 16,961</b>	<b>£ 71,071</b>	<b>£ 150,584</b>	<b>£ 150,573</b>

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## Cheltenham Borough Council

### Cabinet – 12 February 2019

#### Budget Monitoring Report 2018/19 – position as at December 2018

<b>Accountable member</b>	<b>Councillor Rowena Hay, Cabinet Member for Finance</b>
<b>Accountable officer</b>	<b>Paul Jones, Executive Director Finance and Assets</b>
<b>Accountable scrutiny committee</b>	<b>All</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	To update Members on the Council’s current financial position for 2018/19 based on the monitoring exercise at the end of December 2018. The report covers the Council’s revenue, capital and treasury management position. The report identifies any known significant variations (minimum £50,000) to the 2018/19 original budget and areas with volatile income trends.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. Cabinet note the contents of this report including the key projected variances to the 2018/19 budget and the expected delivery of services within budget.</b></li> <li><b>2. Cabinet recommend that Council approve the budget virements to the 2018/19 budget, as part of the revised budget 2018/19, as detailed in Appendix 4.</b></li> </ol>

<b>Financial implications</b>	<p>As detailed throughout this report.</p> <p><b>Contact officer: Sarah Didcote, <a href="mailto:sarah.didcote@publicagroup.uk">sarah.didcote@publicagroup.uk</a> , 01242 264125</b></p>
<b>Legal implications</b>	<p><i>None specific directly arising from the recommendations.</i></p> <p><b>Contact officer: Peter Lewis, <a href="mailto:Peter.Lewis@tewkesbury.gov.uk">Peter.Lewis@tewkesbury.gov.uk</a>, 01684 272695</b></p>
<b>HR implications (including learning and organisational development)</b>	<p><i>The Council continues to monitor vacancies and recruitment. All recruitment activity decisions are based on a business case outlining the impact on the service delivery and/or loss of income generation if the post were to remain unoccupied. In addition, the Council also continues to monitor its capacity to deliver on key projects.</i></p> <p><b>Contact officer: Julie McCarthy (Publica Group Ltd) <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a>, 01242 264355</b></p>
<b>Key risks</b>	As outlined in Appendix 1.

<b>Corporate and community plan Implications</b>	Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.
<b>Environmental and climate change implications</b>	None.

## Background

- 1.1 This report provides the third monitoring position statement for the financial year 2018/19. The purpose of this report is to notify members of any known significant variations to budgets for 2018/19 and highlight any key issues, allowing Members to take action if required.
- 1.2 Publica Financial Services carry out a regular budget monitoring exercise for services in liaison with Directors and cost centre managers. This identifies any major variations from the current approved budget that are anticipated to occur in the financial year. The current approved budget is the original budget for 2018/19 agreed by Council on 12<sup>th</sup> February 2018, subject to any amendments made under delegated powers (for example supplementary estimates, virement, etc). Possible significant variations to revenue budgets are outlined in this report.

## 2. Net revenue position

- 2.1 The table below summarises the net impact of the variances identified at this stage in the financial year, projecting the position to the end of the financial year for all budget variances in excess of £50,000 and areas with volatile income trends, details of which are provided in paragraphs 2.3 to 3.1 below.

<b>Significant budget variances</b>	Overspend / (Underspend)£	para. ref:
<b>Place &amp; Growth Directorate</b>		
Car Parking – additional income	(280,000)	2.3
Cemetery & Crematorium - shortfall in income	447,100	2.4
Ubico Limited – additional costs	344,000	2.5
Recyclate waste wood disposal – additional costs	50,000	2.6
Waste & Recycling – additional income	(108,000)	2.7
Green Waste – additional income	(55,000)	2.8
<b>Total Place &amp; Growth Directorate</b>	<b>398,100</b>	
<b>Leisure &amp; Culture Service - contract savings</b>	(65,300)	2.9
<b>National Domestic Rates - additional Section 31 grant</b>	(124,300)	2.10



<b>Other - Various – net additional costs</b>	(29,600)	Appendix 4
<b>Property investment - net additional income</b>	(222,000)	3.1
<b>Total projected underspend for the year</b>	<b>(43,100)</b>	
Contribution to Budget Deficit (Support) Reserve	<b>43,100</b>	9.1
<b>Total Forecast Outturn</b>	-	

### **Saving from Employee costs**

- 2.2** A target of £372.8k from employee related savings to be made throughout the Council during the year is embedded within individual service budgets, allocated in proportion to existing service salary budgets to improve accountability and budget monitoring within council services. An assessment of vacant posts (i.e. staff turnover) and restructures in the first three quarters of the year indicate that there will be a likely surplus against this target for the financial year. This will continue to be monitored during the remainder of the year and any surplus reported at service level as part of the July Outturn report.

### **Off-street Car Parking Income**

- 2.3** The council reported a shortfall of £40k in Car Parking income to the end of September 2018. However this position has recovered and income targets have been exceeded during the quarter to 31<sup>st</sup> December 2018, with the new Regent Arcade system now in place, a higher peak Christmas season and greater interest in the Town Centre due to the opening of John Lewis & Partners, Urban Outfitters and the reopening of Next. It is now anticipated that there will be surplus income of an estimated £280k for the year against the current 2018/19 budget.

### **2.4 Cemetery & Crematorium Income**

Following the phased closure of the Crematorium in October, there is an expected deficit of £447.1k for the service for 2018/19. This is due to no cremations taking place between the middle of October 2018 and the start of March 2019. This reduction takes into account any costs that would be saved from the closure and any other / new income streams that may come in place of the cremations, i.e. chapel services, scattering of ashes, etc. Part of this £447.1k (£63k) has been caused by the reduced services performed so far this year against the expected budgeted services due to the continued issues with the cremators.

### **Ubico Limited – additional costs**

- 2.5** The Ubico estimate of the outturn position for 2018/19, based on the period to 31<sup>st</sup> December 2018, shows a forecast overspend of circa £344K against the current budget. However, further detailed work is currently being undertaken by Ubico to improve this position during the remainder of the financial year. Any overspend at the year end will be partially offset by additional waste and recycling income, as below.

### **Waste & Recycling Income**

- 2.6** The cost of recycling waste wood is expected to cost an additional £50k in 2018/19. This may be reduced in 2019/20 as a result of a current retendering exercise. Income from waste and recycling continues to be monitored on a regular basis in conjunction with the Joint Waste Committee.
- 2.7** Recycling credits from Gloucestershire County Council are expected to deliver a net surplus of £108k for the year as a result of increased kerbside recycling tonnages.

## 2.8 Green Waste Income

There is an expected surplus in green waste income for the year of £55k as a result of increased volume of subscription take up during the year.

### Leisure & Culture

- 2.9 There is a net saving of £65.3k in the management fee payable to The Cheltenham Trust, mainly equating to pension costs for ex council employees tupe transferred to the Cheltenham Trust in October 2014. The saving represents a higher than expected turnover within the Trust and therefore reduced numbers of Trust staff eligible to participate in this closed pension scheme.

### Non Domestic Rates – Section 31 compensation grant

- 2.10 It is anticipated that section 31 business rates compensation grant receivable in 2018/19 will be £124k higher than originally estimated. The grant compensates authorities for loss of business rates income due to additional reliefs introduced by the Government. The increase in estimated grant is due to higher than originally estimated business rate reliefs being awarded by the council and a technical change made by the Government in the formula for compensating authorities.

## 3. Treasury Management

There is an expected net surplus for the year of £222k, generated from new rental income streams of £960k arising from the purchase of 4 commercial properties during the year, net of one off costs of £120k and short term and long borrowing costs of £618k. See Appendix 4 for full breakdown.

## 4. Capital

- 4.1 A detailed exercise has been carried out to ensure that capital schemes, approved by Council on 12th February 2018, are being delivered as planned within allocated capital budgets, some of which are timetabled to straddle two or more financial years. The following variances to capital budgets are expected upon completion of the scheme:

### 4.2 Leisure centre – Sports & Play Hub

The capital scheme for the provision of a new sports & play hub, including a new splashpad and changing rooms at Leisure@ has been completed within the build timescales. There is an underspend of £26k against the total scheme budget of £2.5 million which reduces the funding requirement for the scheme.

### 4.3 High Street Public Realm

There is currently a projected £65k overspend against the scheme budget of £989k, as a result of delays to the completion of the works, due to hoardings and design issues. This is under review and may be mitigated by discussions with various parties, up to a value of £45k.

All risks around the utilisties have now been managed and removed following discussions between this council, Gloucestershire County Council and the utility companies. There will be no additional cost incurred for these works.

## 5. Programme maintenance expenditure

- 5.1 A detailed exercise has been carried out to ensure that programme maintenance work, approved by Council on 12<sup>th</sup> February 2018, is being delivered as planned within the allocated budgets. Some programme maintenance expenditure is not expected to be utilised in the current year and will be transferred back into the Property Maintenance reserve. However, there is a requirement for additional budget to meet higher than expected reactive repairs in the year, which will be funded from this reserve. Further details will be reported in the next budget monitoring report. Any slippages in schemes or underspend against budget at the end of the year will be transferred to the Programme Maintenance reserve to fund future programme maintenance expenditure.

## 6. Housing Revenue Account (HRA)

- 6.1 Significant variations to HRA revenue and Capital budgets identified to 31st December 2018 are detailed as below:-

### HRA Revenue:

Net operating surplus is currently forecast at £2,273,000 compared to the budget of £2,180,000. The increase of £93,000 is attributable to the following variations:-

	£
Additional rent income from new build properties (£35,000) offset by marginally higher void rent loss (£10,000)	25,000
Increase in interest receivable arising from both higher reserve balances and interest rate	110,000
Additional cost of IT licences and legal recharges	-47,200
Other net variations	5,200
Increase in Operating Surplus	93,000

### 6.2 HRA Capital (Existing Stock):

The forecast for capital expenditure on existing stock is £7,373,000, a reduction of £689,000 in comparison to the current budget including roll forward from 2017/18 (£8,062,000). Within that figure there have been the following significant project variations:-

- a) External Works (£329,000 reduction from budget of £543,000).

There will be a delayed start to this contract following the need to re-tender due to insufficient response to the original tender. It is expected that work will commence later this financial year, with a forecast spend of £214,000 in 2018/19 and the remainder of the works being carried out in 2019/20.

- b) Windows & Doors (£118,000 reduction from budget of £2,425,000)

Fire door replacement was paused while clarification was sought on possible changes to the required safety specification following the Grenfell fire. Expenditure in the current year is now forecast at £2,307,000.

- c) Door Entry Systems (£94,000 reduction from budget of £130,000)

Following legal issues with a potential waiver the contract has had to be retendered. It is expected that the work will commence later this financial year, with a forecast spend of £36,000 in 2018/19.

d) Communal Lighting (£218,000 reduction from budget of £1,003,000)

Contractors have been selected and contracts are being completed. There has been some delay so works will now be completed in 2019/20.

### **HRA Capital (New build/ Acquisition):**

- 6.3 Expenditure on new HRA build and acquisitions for the year is now forecast at £2,402,000, a reduction of £1,098,000 against the budget of £3,500,000.
- 6.4 This primarily results from a lower forecast spend on acquisitions, now £933,000 against the contingency budget of £2,000,000. The acquisition of suitable properties is part of an overall strategy which, together with new build development, seeks to increase the number of affordable units to meet demand. It also ensures that the Council is able to use Right to Buy receipts before the three year deadline, after which they would have to be repaid to Government with interest. Good progress on new build development has reduced the pressure to identify properties for acquisition in the current year. Any unspent budget will be rolled over to 2019/20.

### **HRA Reserves**

- 6.5 Revenue reserves at 31<sup>st</sup> March 2019 are now estimated at £8,785,200 compared to the original budget of £5,734,500. The increase is due to a higher balance brought forward from 2017/18 (£965,700), the additional operating surplus identified in paragraph 1.1 above (£93,000) and a reduction in the level of revenue contributions required to finance the capital programme (£1,992,000).

## **7. Council tax and Business rates collection**

- 7.1 The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 2. This shows the position at the end of December 2017 and the projected outturn for 2017/18.

## **8. Sundry debt collection**

- 8.1 The monitoring of aged sundry debts and recovery is shown at Appendix 3.

## **9. Conclusion**

- 9.1 The impact on the general fund of the variances reported above is that there is a forecast net underspend against the budget of £43,100 for 2018/19. This will be transferred to the Budget Strategy (Support) Reserve, under the delegated authority of the Chief Finance Officer.
- 9.2 The continued impact of the changes in government funding arrangements and the economic climate present particular concerns for the Council's budgets. It is clearly important to ensure that budgets continue to be closely monitored over the coming months with a view to taking action at a future date, if necessary, in order to ensure that the Council delivers services within budget.
- 9.3 It will be for Cabinet and Council to decide in July 2019, when outturn is finalised, how to apply any potential savings. However it is recommended that any further underspend identified on outturn be

transferred firstly to the Budget Deficit (Support) Reserve and secondly to support general balances, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding future budget funding gaps, as outlined in the Council’s Medium Term Financial Strategy.

### 10. Consultation

**10.1** The work undertaken to produce this report has involved consultation with a wide number of services and cost centre managers.

<b>Report author</b>	<b>Contact officer: Sarah Didcote</b> <b>sarah.didcote@publicagroup.uk, 01242 264121</b>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Council Tax and NNDR collection to 31<sup>st</sup> December 2018</li> <li>3. Aged Debt Report as at 31st December 2018</li> <li>4. Budget Virements for approval – 2018/19 budget</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. Section 25 Report – Council 10<sup>th</sup> February 2018</li> <li>2. Final Budget Proposals for 2017/18– Council 12th February 2018</li> </ol>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.	If we are unable to take corrective action in respect of reduced income streams then there is a risk that Council will not be able to deliver its budget	Cabinet	June 2010	3	3	9	Reduce	In preparing the budget for 2017/18, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	February 2017	SLT	Corporate Risk Register
2.	If the Budget Deficit (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Chief Finance Officer in the Council's Medium Term Financial Strategy.	Cabinet	October 2015	4	3	12	Reduce	In preparing the budget for 2018/19 and in ongoing budget monitoring, consideration will be given to the use of fortuitous windfalls and potential future under spends with a view of strengthening reserves whenever possible.	February 2018	Chief Finance Officer	Corporate Risk Register

**Guidance**

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;

- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

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

**Risk ref**

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

**Risk Description**

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

**Risk owner**

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

**Risk score**

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

**Control**

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

**Action**

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

**Responsible officer**

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

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

**Transferred to risk register**

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

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**Council Tax and Business Rates  
Collection Rates 2018-19**

**Council Tax 2018/2019**

<b>Current Year Charges - 2018/2019</b>			
<b>Monitoring Period</b>	<b>% Collected at 31.12.2018</b>	<b>Target 31.12.2018</b>	<b>2018/2019 Target</b>
	85.78%	85.95%	98.30%
<b>Comparison with 2017/2018</b>	<b>As at 31.12.2017</b>		<b>% Collected 31.03.2018</b>
	85.96%		98.30%

The collection rate for the end of December is slightly below the target and we are monitoring the position closely

<b>Previous Years Charges Outstanding in 2018/2019</b>			
<b>Monitoring Period</b>	<b>Amount outstanding at 31.12.2018</b>	<b>Target 31.12.2018</b>	<b>2018/2019 Target</b>
	£1,383,392	£1,350,000	£1,145,000
<b>Comparison with 2017/2018</b>	<b>As at 31.12.2017</b>		<b>Amount o/s 31.03.2018</b>
	£1,338,474		£1,146,742

The arrears outstanding have not reduced to the target level for the end of December. We will continue to monitor this closely but we are optimistic that we can achieve the year end target .

**Business Rates 2018/2019**

<b>Current Year Charges - 2018/2019</b>			
<b>Monitoring Period</b>	<b>% Collected at 31.12.2018</b>	<b>Target 31.12.2018</b>	<b>2018/2019 Target</b>
	85.12%	84.50%	98.80%
<b>Comparison with 2017/2018</b>	<b>31.12.2017</b>		<b>% Collected 31.03.2018</b>
	84.50%		98.74%

The collection rate for the end of December is above the target. We continue to monitor the position closely

<b>Previous Years Charges Outstanding in 2018/2019</b>			
<b>Monitoring Period</b>	<b>Amount outstanding at 31.12.2018</b>	<b>Target 31.12.2018</b>	<b>2018/2019 Target</b>
	£671,301	£640,000	£570,000
<b>Comparison with 2017/2018</b>	<b>Amount outstanding at 31.12.2017</b>		<b>Amount outstanding at 31.03.2018</b>
	£743,116		£613,964

The arrears outstanding have not reduced to the target level for the end of December. We are monitoring this but remain optimistic that we can reach the end of year target

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Cheltenham Borough Council: Aged Debt Report - as at 2 January 2019																
CostC	No. Outstanding Invoices	Value of Invoices in Payment Plans	Value of Invoices with Halted Recovery *	Value of Invoices with Legal	Value of Invoices awaiting Credit Notes **	Value of Invoices for Write Off ****	Customer Credits ***	Not Due	0-30	1-3 Mths	3-6 Mths	6 mth - 1 Yr	1 - 2 Yrs	2 Yrs+	Total	
ADB101 Total	1	0	0	0	0	0	0	0	5,053	-	-	-	-	-	5,052.95	
ADB103 Total	4	0	0	0	0	0	0	0	56,379	-	-	-	-	12.48	56,390.98	
ADB104 Total	29	11483.79	262.91	0	0	0	0	6615.01	3,515	2,347.87	375.64	-	-	-	24,628.95	
BAL100 Total	85	254.76	11.74	4081	0	-268.22	-57380.23	0	-	32.45	-	-	-	360.00	52,903.50	
BUC001 Total	3	46.93	624	0	0	0	0	0	482	-	-	-	-	-	1,153.33	
CCM001 Total	80	0	0	0	0	0	0	2952	18,855	1,755.00	1,738.00	13,054.00	852.50	-	39,206.50	
COM101 Total	8	1200	0	0	0	0	0	0	21,222	-	-	-	720.00	-	23,142.00	
COM103 Total	1	0	0	0	0	0	0	202.5	-	-	-	-	-	-	202.50	
CPK001 Total	2	0	0	0	0	0	0	0	-	-	-	5,241.60	-	-	5,241.60	
ENF101 Total	1	0	0	0	0	0	0	0	-	-	-	-	-	360.00	360.00	
ESR001 Total	3	0	0	0	0	0	0	0	194,996	-	-	-	-	-	194,995.74	
FIE040 Total	19	12015.43	0	8625	0	0	0	2650	116,923	1,117.00	284.29	-	845.15	-	142,460.04	
FRM101 Total	1	0	0	0	0	0	0	0	-	-	5,500.00	-	-	-	5,500.00	
GBD001 Total	1	0	0	0	0	0	0	0	-	-	-	270.00	-	-	270.00	
HLD170 Total	1	0	0	0	0	0	0	9257.12	-	-	-	-	-	-	9,257.12	
HOS004 Total	10	0	1162.57	915.3	0	0	0	818.12	-	-	-	-	-	-	2,973.62	
LTC111 Total	2	0	8656.06	0	0	0	0	0	719	-	-	-	-	-	9,375.33	
NDC001 Total	4	0	0	0	0	0	0	0	3,061	475.00	-	-	-	-	3,535.83	
OPS001 Total	5	1401.5	0	0	0	0	0	0	13,293	-	-	-	-	-	14,694.50	
OPS002 Total	15	424.23	0	420.15	0	0	0	0	3,642	-	4,500.00	25.66	1,300.00	-	10,311.70	
OPS004 Total	734	0	0	0	0	0	0	0	43,201	-	-	1,547.80	133.43	-	44,882.35	
OPS101 Total	3	0	159.78	0	0	0	0	0	-	-	-	1,090.81	1,363.63	-	2,624.51	
REC101 Total	2	0	180	0	0	0	0	0	-	-	25,000.00	-	-	-	25,181.30	
REG001 Total	3	3415	1642.64	0	0	0	0	3415	-	-	-	693.00	-	-	5,750.64	
REG002 Total	48	0	1270.07	0	0	0	0	2311.73	1,793	4,399.81	-	-	-	-	9,784.17	
REG003 Total	1	0	0	0	0	0	0	0	-	-	-	-	320.00	-	320.00	
REG013 Total	6	0	79	0	0	0	0	0	-	-	533.00	-	303.00	-	915.00	
REG018 Total	12	0	70.11	0	0	0	0	225	280	120.00	-	125.00	130.00	-	975.00	
RYC008 Total	22	0	0	0	0	0	0	106,890	56,958.49	28,961.04	-	-	1,381.68	-	194,190.97	
SPP002 Total	949	28095.12	1023.65	0	0	-28.74	-57.78	375.29	-	14.53	-	29.06	203.37	-	29,228.47	
STC011 Total	16	0	191	2144	0	0	0	0	-	-	121.00	-	-	576.00	3,033.00	
SUP025 Total	2	0	0	0	0	0	0	0	13,140	-	-	-	-	-	13,140.00	
SUP040 Total	1	0	0	0	0	0	0	0	1,020	-	-	-	-	-	1,020.00	
TOU002 Total	2	0	0	0	0	0	0	418	-	3,600.00	-	-	-	-	4,018.00	
TRW001 Total	512	82077.87	14.48	476.61	0	1092.95	-15.3	2509.96	47,460	464.27	1,796.20	1,963.95	427.80	-	138,269.27	
<b>Grand Total</b>	<b>2588</b>	<b>140414.63</b>	<b>15348.01</b>	<b>16662.06</b>	<b>0</b>	<b>795.99</b>	<b>-57453.31</b>	<b>31749.73</b>	<b>651,923</b>	<b>71,284.42</b>	<b>68,838.23</b>	<b>24,215.19</b>	<b>8,353.19</b>	<b>732.48</b>	<b>969,181.87</b>	
CostC	No. Outstanding Invoices	Value of Invoices in Payment Plans	Value of Invoices with Halted Recovery *	Value of Invoices with Legal	Value of Invoices awaiting Credit Notes **	Value of Invoices for Write Off ****	Customer Credits ***	Not Due	0-30	1-3 Mths	3-6 Mths	6 mth - 1 Yr	1 - 2 Yrs	2 Yrs+	Total	
HRA100 Total	603	77375.97	49676.16	6647.8	0	0	0	9417.47	6,724	1,911.61	11,003.85	24,496.79	24,139.79	30,316.71	234,208.16	
HRA110 Total	1	0	0	0	0	0	0	0	-	-	-	-	-	461.61	461.61	
HRA210 Total	141	7313.04	1250.62	8010	0	0	0	4075	18,874	1,010.00	104.24	430.00	309.25	345.50	41,021.18	
HRA221 Total	496	202453.63	49327.53	1797.22	0	0	0	0	275	7,288.62	30,146.40	42,447.38	35,023.26	48,414.20	417,755.66	
HRA235 Total	6	0	0	0	0	0	0	0	-	-	-	-	-	120.00	120.00	
<b>Grand Total</b>	<b>1247</b>	<b>287142.64</b>	<b>100254.31</b>	<b>16455.02</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13492.47</b>	<b>25,873</b>	<b>10,210.23</b>	<b>41,254.49</b>	<b>67,374.17</b>	<b>59,472.30</b>	<b>79,658.02</b>	<b>693,566.61</b>	
<b>Grand Total</b>	<b>3,835</b>	<b>427,557</b>	<b>115,602</b>	<b>33,117</b>	<b>-</b>	<b>796</b>	<b>57,453</b>	<b>45,242</b>	<b>677,796</b>	<b>81,495</b>	<b>110,093</b>	<b>91,589</b>	<b>67,825</b>	<b>80,391</b>	<b>1,662,748</b>	
Previous month's position	3,045	398,138.52	117,950.97	29,830.39	1,618.61	-	4,881.72	389,345.80	456,072.50	103,374.94	126,779.88	105,785.83	67,385.86	77,524.29	1,868,925.87	

\* Value of Invoices with Halted Recovery - invoices with issues to be resolved before payment / further recovery action e.g. service disputed, bounced direct debits, with bailiffs, etc.

\*\* Value of Invoices Awaiting Credit Note - credit notes have to be authorised on Agresso, until they are authorised the invoices remain outstanding but a complaint code is used to mark them appropriately.

\*\*\* Customer Credits - accounts where customers have paid in advance of an invoice, or in error.

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Costc	Costc Description	Account(T)	VIREMENT		Report Reference
			2018/19	Reason	
			£		
CPK001	Car Parks - Off Street Operations	Car Park Fees	-280,000	Forecast surplus income	2.3
CCM001	Cemetery income	Cemetery and cremation fees	447,100	Net shortfall in income due to partial closure in year	2.4
RYC006	Green Waste	Ubico contract costs	344,000	Additional Ubico expenditure 2018/19	2.5
RYC008	Bulking Facility	Minor Contract Fees	50,000	Costs of wood contract	2.6
RYC006	Recycling	Recycling income	-108,000	Additional recycling income	2.7
RYC002	Green Waste	Additional garden waste income	-55,000	Additional green waste income	2.8
CSM001	Cultural - Service Management	Major External Contractors	-65,300	Saving in management fee pension costs	2.9
TGI020	Business Rates income	Section 31 Compensation Grant income	-124,264	Higher than anticipated s31 NDR compensation grant 2018/19	2.10
FIE040	Investment Properties	Rental income on investment properties	-960,187	additional rental income on new investment properties	)
FIE040	Investment Properties	Expenditure on investment properties	119,729	one-off costs on acquisition of new investment properties	)
FIE010	Interest payable	Long Term borrowing payable	578,200	increased long term borrowing to fund capital property investment	)
FIE010	Interest payable	Temporary borrowing payable	62,000	higher than budgeted rates of interest ./ dividends receivable	) 3.
COR006	Treasury costs	Brokers commission payable	25,000	increased volume of activity	) £221,
FIE030	Interest and Investment Income	Interest receivable	-149,500	higher than budgeted rates of interest ./ dividends receivable	)
FIE010	HRA Item 8	HRA Item 8 interest payable	115,900	increased HRA item 8 payable due to higher returns	)
FIE010	HRA item 8	HRA Item 8 interest receivable	-13,100	impact of appropriation of nursery houses to HRA	)
Other- various	HRA recharge income	Recharges of services to HRA	-14,800	income inflation from HRA 2018/19	)
various	Business Rates payable	Business Rates payable by council	-13,350	net saving in NNDR payable by council	)
SUP038	Superannuation payments	Discretionary pension payments	6,000	inflationary costs	) 2.1
SUP035	Insurances	Insurance premiums	5,000	net increase in insurance costs	) £29,650
COR001	Corporate Management	Audit Fees	-14,200	Saving in external audit fees	)
DRM001	Democratic Processes	Members allowances	-7,100	Saving in members allowances	)
SUP025	Property Services	Recharge of services to clients	-1,200	income inflation from external client	)
PLP006	Trees	Additional tree work	10,000	additional works due to lengthy hot summer season	)
			-43,072		
RES025	Budget Strategy(support) reserve	Contribution to reserve	43,072	net underspend contributed to reserve	9.1
<b>Net Virements for approval</b>			<b>0</b>		

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## Cheltenham Borough Council Cabinet – 12<sup>th</sup> February 2019 Local Discretionary Business Rates Relief Schemes

<b>Accountable member</b>	<b>Councillor Rowena Hay, Cabinet Member Finance</b>
<b>Accountable officer</b>	<b>Jayne Gilpin, Head of Revenues and Benefits</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>In the Budget on 29 October 2018, the Government announced that it would provide business rates retail discounts in the years 2019-20 and 2020-21. The discounts are to be awarded in accordance with the Government set eligibility criteria using the Council's discretionary powers. The Government will reimburse the Council in full for the cost of these discounts. Approval is being sought to award these reliefs using discretionary powers introduced by the Localism Act.</p> <p>Following the 2017 revaluation the Government announced relief schemes to help businesses most affected by increased rates bills.</p> <ul style="list-style-type: none"> <li>• Supporting Small Business Relief sets a cap on the increase payable for business losing small business rate relief and is available for up to five years from 2017/18</li> <li>• The Government provided funding for Councils to design their own Local Revaluation Support Schemes</li> </ul> <p>These reliefs are awarded using the Council's discretionary powers and approval is also being sought to continue these reliefs in accordance with the Government guidance and funding.</p>
<b>Recommendations</b>	<p><b>Cabinet is recommended to</b></p> <ol style="list-style-type: none"> <li><b>1. Approve a business rates retail discount scheme for 2019/20 and 2020/21 in line with Government funding, detailed guidance in appendix 3</b></li> <li><b>2. Approve the local discretionary revaluation support scheme for 2019/20 and 2020/21 in accordance with section 3 of this report and appendix 2</b></li> <li><b>3. Authorises the Executive Director Finance and Assets, in consultation with the Cabinet Member Finance, to set the percentage relief level for local revaluation support in respect of</b></li> </ol>

2019/20 and 2020/21 as detailed in section 3.5 of this report.

4. Approves the continuation of the Supporting Small Businesses Relief Scheme until the scheme is ended in accordance with the Government guidance and appendix 2
5. Due to the volume of cases, delegate decisions relating to the application of these reliefs to the Head of Revenues and Benefits and officers in the Business Rates team. In the case of a dispute reconsideration is to be made by the Executive Director Finance and Assets.

<p><b>Financial implications</b></p>	<p>As detailed within the report and appendices Central government will fully reimburse local authorities for the local share of the retail discounts provided the Council uses its powers to grant them in accordance with the guidance.</p> <p>With regards to local revaluation support, the Government has allocated a specific sum of money to billing authorities for each of the four years 2017/18 to 2020/21 to fund a locally designed relief scheme as set out in para 2.1.</p> <p><b>Contact officer: Paul Jones</b> <b>paul.jones@cheltenham.gov.uk, 01242 775154</b></p>
<p><b>Legal implications</b></p>	<p>The Council has statutory power to award discretionary rate relief under S47 of the Local Government Finance Act 1988 (as amended by S69 of the Localism Act 2011).</p> <p>The cost of relief to the Local Authority can be recovered from the Government by way of grant under Section 31 of the Local Government Act 2003. The government must establish a discretionary scheme for administering the relief to access this funding.</p> <p>Providing discretionary relief is likely to amount to State Aid and as such the relief should be awarded in accordance with the De Minimis Regulations, and an undertaking must advise the Council if they have received any other State Aid that exceeds a total of €200,000 in a 3 year period.</p> <p><b>Contact officer: daisy.freeman@tewkesbury.gov.uk</b></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>There are none associated with this report</p>
<p><b>Key risks</b></p>	<p><b>See appendix 1</b></p>
<p><b>Corporate and community plan Implications</b></p>	<p>None</p>



<b>Environmental and climate change implications</b>	None
<b>Property/Asset Implications</b>	There is nothing in this report which impacts on Council properties <b>Contact officer: <a href="mailto:Dominic.Stead@cheltenham.gov.uk">Dominic.Stead@cheltenham.gov.uk</a></b>

## 1. Retail Discounts

- 1.1 In the budget statement on 29 October 2018 the Government announced that it would provide business rates discounts for retail properties for the financial years 2019/20 and 2020/21.
- 1.2 The discounts will be available for occupied properties being used for retail purposes with a rateable value of less than 51,000. The value of discount is one third of the bill, to be applied after other reliefs.
- 1.3 A list of the types of retail purposes is in the guidance. It includes shops, bars, pubs, café's, restaurants, coffee shops and takeaways. It also includes those properties being used for services such as travel agents, hair dressers, dry cleaners and shoe repairs.
- 1.4 As these are a temporary measure, the government is not changing business rates legislation; it expects billing authorities to use their discretionary relief powers under section 47 of the Local Government Finance Act 1988, amended by the Localism act, to adopt a scheme to grant the discounts using the detailed guidance provided which is in appendix 3. Administration and State Aid in sections 3 and 4 of appendix 2 will also apply to this relief.
- 1.5 The Government will fully fund the local share of retail discounts awarded, provided the Council uses its powers to grant relief in accordance with the eligibility criteria in the guidance.
- 1.6 The discounts are subject to state aid rules so larger businesses with multiple outlets will not qualify. The business rates team are identifying eligible businesses but most likely will be asked to verify that they are not in receipt of any other state aid that would mean they exceed the current limits.
- 1.7 The business rates team have so far identified over 300 businesses that will qualify for this relief and it will be applied to the 2019/20 bills when they are issued in March. Application forms are being issued in other cases to verify whether the qualifying conditions are met.

## 2. Local Revaluation Support 2017/18 and 2018/19

- 2.1 Local Revaluation Support has been available since 2017/18 to help businesses facing large increases in rates bills due the to the 2017 revaluation. The Government allocated a specific sum of money to billing authorities for each of the four years 2017/18 to 2020/21 to fund a locally designed relief scheme. This Council was allocated the following amounts:

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

- 2.2 £268,000 has been allocated in respect of 2017/18. Legislation allows the relief to be awarded up to 6 months after the end of the relevant financial year so no further relief can be awarded in respect of 2017/18.
- 2.3 As the relief is to help businesses with increased bills in 2017/18 compared to 2016/17, due to the revaluation, it can only continue to be awarded to businesses in receipt of the relief in 2017/18.
- 2.4 £122,000 was initially awarded in respect of 2018/19 but due to businesses vacating their premises and rateable value changes this has reduced to £111,000. On 13 February 2018 Cabinet authorised the Executive Director Finance and Assets, in consultation with the Cabinet Member Finance, to set the percentage relief level for local revaluation support in 2018/19. The

percentage will be re set so that the maximum funding is allocated to businesses.

### **3. Local Revaluation Support 2019/20 and 2020/21**

- 3.1 Local Revaluation Support Relief will continue to be available in 2019/20 with the funding available being at £54,000 and in 2020/21 with the funding at £8,000.
- 3.2 As the revaluation support scheme is intended to provide relief to businesses that faced increased bills due to the revaluation, relief will only available to businesses that have qualified continually since 2017/18
- 3.3 Relief in both years will be calculated as a percentage of the net rates payable after all reliefs, apart from the new retail discount, have been awarded.
- 3.4 Approval is being sought to award the relief in both years in line with the funding available and the scheme conditions in appendix 2.
- 3.5 So that the total relief awarded to businesses in both years is as close as possible to the £132,000 funding available, authority is being sought for the Executive Director Finance and Assets, in consultation with the Cabinet Member for Finance, to determine the actual percentage to be applied.
- 3.6 The determination will be made prior to the annual bills being issued in March each year and the rate will be reset if required to ensure the funding is distributed.

### **4. Relief for Businesses losing Small Business Rate Relief**

- 4.1 This relief is available to help those ratepayers who as a result of the 2017 revaluation lost all or some of their small business rate relief and faced large increases in bills.
- 4.2 The relief limited the increase in 2017/18 to the greater of 5% or £600. It then reduces each year, for up five years, until the full rate bill is met.
- 4.3 The relief is funded by the Government and will be awarded in line with the detailed guidance using the Council's discretionary powers. Sections 3 and 4 on State Aid and Administration in Appendix 2 will also apply to this relief

### **5. Alternative options considered**

- 5.1 Government funding is available for all of the reliefs in this report. In respect of Revaluation support, funding is limited to the stipulated amount. If the policy is not approved and implemented the funding must be returned to the Government
- 5.2 In respect of the other reliefs Government expects billing authorities to grant these reliefs to qualifying ratepayers and will fully reimburse the Council for its share of the cost of reliefs awarded in line with the guidance. If the policy is not approved and implemented the funding must be returned to the Government.

### **6. Consultation and feedback**

- 6.1 Gloucestershire County Council as a precepting authority receiving funding via the business rates retention system were consulted on the revaluation support scheme through the countywide Chief

Finance Officer group. The six billing authorities have worked collaboratively on designing the core principles for relief schemes which have been modified to take account of the size and type of properties and business rate payers in Cheltenham. The County Council is being kept informed of the final scheme.

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

- 7.1 The number of businesses benefiting from these relief schemes and the total amount awarded will be monitored by the Head of Revenues and Benefits on a monthly basis.
- 7.2 A review will be undertaken during each year and year to ensure the maximum funding is being allocated to businesses.

<b>Report author</b>	<b>Contact officer: Jayne Gilpin, Head of Revenues and Benefits Jayne.gilpin@cheltenham.gov.uk, 01242 264323</b>
<b>Appendices</b>	<ul style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Retail Discount guidance</li> <li>3. Local Discretionary Business Rates Relief Schemes February 2019</li> </ul>
<b>Background information</b>	<ul style="list-style-type: none"> <li>1. Section 47 Local Government Finance Act 1988, as amended by clause 69 of The Localism Act 2011</li> </ul>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If the policy is not approved the funding will have to be returned to the government and local businesses will suffer	Jayne Gilpin	30/01/2019	2	1	2	Accept	Cabinet Approves the report recommendations	12/02/2019	Jayne Gilpin	
2	If more local revaluation support is awarded than the funding received from Government the council will be required to cover the cost	Jayne Gilpin	30/01/2019	2	3	6	Accept and Monitor	The amount of relief available to businesses does not allocate all of the funding. Monitoring will be undertaken monthly		Jayne Gilpin	
<b>Explanatory notes</b>											
<p><b>Impact</b> – 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)</p> <p><b>Likelihood</b> – 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)</p> <p><b>Control</b> - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											

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**Cheltenham Borough Council Policy for  
Local Discretionary Business Rates Relief Schemes  
February 2019**

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

**Section 1: Local Revaluation Support**

The revaluation support scheme is available to businesses with increased rate bills as a result of the 2017 revaluation

**Qualifying Conditions**

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

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

Relief will not be awarded in the following circumstances

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

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

Relief will be recalculated in the following circumstances

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

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

### How will relief be calculated?

2017/18

Revaluation support will be calculated on the 2017/18 rates payable after transitional protection and any other reliefs have been applied. The 2016/17 bill will be based on the charge at 31st March 2017. The amount of relief will be as follows Revaluation support relief will apply to ratepayers receiving the national supporting small businesses and pub relief, provided the above conditions are met.

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

### 2018/19-2020/21

The scheme for 2018/19-2020/21 will provide continued support for businesses with increased rate bills as a result of the 2017 revaluation.

#### Qualifying Conditions

To qualify for relief in 2018/19-2020/21 businesses must be in receipt of relief in 2017/18 based on the conditions detailed in section 1 above

The level of relief in 2018/19-2020/21 will be a % of the net rates payable. **(This is to be determined by the Executive Director Finance and Assets, in consultation with the Cabinet member for Finance).**

In 2018/19 the relief will be applied after all other reliefs. In 2019/20 and 2020/21 it will be applied after all other reliefs apart from retail discounts.



## **Section 2: Supporting Small Businesses Relief**

Relief will be awarded to ratepayers losing some or all of their small business rate relief in line with the detailed guidance issued by the Department of Communities and Local Government. State Aid rules as detailed in section 3 and will apply and the relief will be administered as detailed in section 4.

## **Section 3: State Aid**

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

## **Section 4: Administration**

- Cheltenham Borough Council will administer the schemes under The Local Government Finance Act 1988 as amended by The Localism Act 2011 and The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059)
- Entitlement to Retail Discounts, Revaluation Support and Supporting Small Business Relief will be dependent on the qualifying conditions being met.
- Relief awarded in respect of each financial year will end on 31 March in the relevant year
- Relief will be recalculated or cancelled to reflect a change in circumstances, change to entries in Rating List, or any of the conditions cease to be met.
- Decisions relating to the granting of reliefs will be delegated to the staff within the Revenues Service
- Reliefs may be granted automatically where information held on the business rate account confirms eligibility in line with the qualifying criteria. In these cases businesses will be asked to notify the council if they are in receipt of other State Aid

## Page 58

- Where sufficient information is not held businesses will be required to complete and submit an application form including a declaration in respect of State Aid
- There is no statutory right of appeal against a decision made by the Council in respect of Retail Discounts, Supporting Small Businesses, or Revaluation Support Relief. However, the Council will reconsider the decision if the ratepayer is dissatisfied with the outcome. The review will be carried out by the Executive Director Finance and Assets in consultation with the Cabinet Member Finance
- If an unsuccessful applicant requests a reconsideration they will need to continue to pay their rates bill. Once the reconsideration has been carried out, the ratepayer will be informed, in writing, of the decision.



Ministry of Housing,  
Communities &  
Local Government

## Business Rates

Retail Discount – Guidance



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Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

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# Contents

<b>About this guidance</b>	<b>4</b>
<b>Introduction</b>	<b>4</b>
<b>Retail Discount</b>	<b>4</b>
How will the relief be provided?	4
Which properties will benefit from relief?	5
How much relief will be available?	7
State Aid	8
Splits, mergers, and changes to existing hereditaments	9
<b>Annex A: Calculation examples for 2019/20</b>	<b>10</b>
<b>Annex B: Sample paragraphs that could be included in letters to ratepayers about Retail Discount for 2019/20 and 2020/21</b>	<b>12</b>
<i>'De minimis'</i> declaration	13
Refusal of Retail Discount form	14

## About this guidance

1. This guidance is intended to support local authorities in administering the “Retail Discount” announced in the Budget on 29 October 2018. This Guidance applies to England only.
2. This guidance sets out the criteria which central Government considers for this purpose to be retail and eligible for this discount. The guidance does not replace existing legislation.
3. Enquiries on this measure should be addressed to:  
[ndr@communities.gov.uk](mailto:ndr@communities.gov.uk)

## Introduction

4. The Government recognises that changing consumer behaviour presents a significant challenge for retailers in our town centres and is taking action to help the high street evolve.
5. The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21. The value of discount should be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied. Where an authority applies a locally funded relief, for instance a hardship fund, under section 47 this is must be applied after the Retail Discount.
6. This document provides guidance to authorities about the operation and delivery of the policy. The Government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2019-20 in their bills for the beginning of that year.

## Retail Discount

### How will the relief be provided?

7. As this is a measure for 2019-20 and 2020-21 only, the Government is not changing the legislation around the reliefs available to properties. Instead the Government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003). The Government expects local government to apply and grant relief to qualifying ratepayers from the start of the 2019/20 billing cycle.

8. Central government will reimburse billing authorities and those major precepting authorities for the actual cost to them under the rates retention scheme of the relief that falls within the definitions in this guidance. Local authorities will be asked to provide an estimate of their likely total cost for providing the relief in their National Non-Domestic Rate Return 1 (NNDR1) for 2019-20 and 2020-21. Central government will provide payments to authorities to cover the local share, as per the usual process.
9. Local authorities will also be asked to provide outturn data on the actual total cost for providing the relief, as per the usual process via the National Non-Domestic Rate 3 (NNDR3) forms for 2019-20 and 2020-21. Any required reconciliations will then be conducted at these points.<sup>1</sup>

### **Which properties will benefit from relief?**

10. Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.
11. We consider shops, restaurants, cafes and drinking establishments to mean:
  - i. **Hereditaments that are being used for the sale of goods to visiting members of the public:**
    - Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
    - Charity shops
    - Opticians
    - Post offices
    - Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
    - Car/ caravan show rooms
    - Second hand car lots
    - Markets
    - Petrol stations
    - Garden centres
    - Art galleries (where art is for sale/hire)
  - ii. **Hereditaments that are being used for the provision of the following services to visiting members of the public:**
    - Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc)

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<sup>1</sup> As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the retail discount.

- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Car hire

**iii. Hereditaments that are being used for the sale of food and/ or drink to visiting members of the public:**

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

12. To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.
13. The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist. There will also be mixed uses. However, it is intended to be a guide for authorities as to the types of uses that Government considers for this purpose to be retail. Authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.
14. The list below sets out the types of uses that the Government does not consider to be retail use for the purpose of this relief. Again, it is for local authorities to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the relief under their local scheme.

**i. Hereditaments that are being used for the provision of the following services to visiting members of the public:**

- Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)



- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
- Post office sorting offices

**ii. Hereditaments that are not reasonably accessible to visiting members of the public**

15. Generally speaking, the government also does not consider other assembly or leisure uses beyond those listed at paragraph 11 to be retail uses for the purpose of the discount. For example, cinemas, theatres and museums are outside the scope of the scheme, as are nightclubs and music venues which are not similar in nature to the hereditaments described at paragraph 11(iii) above. Hereditaments used for sport or physical recreation (e.g. gyms) are also outside the scope of the discount. Where there is doubt, the local authority should exercise their discretion with reference to the above and knowledge of their local tax base.

**How much relief will be available?**

16. The total amount of government-funded relief available for each property for 2019-20 and 2020/21 under this scheme is one third of the bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where local authorities have used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants<sup>2</sup>. There is no relief available under this scheme for properties with a rateable value of £51,000 or more. Of course, councils may use their discretionary powers to offer further discounts outside this scheme. However, where an authority applies a locally funded relief, sometimes referred to as a hardship fund, under section 47 this is must be applied after the Retail Discount.
17. The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a chargeable day for particular hereditament in the financial year 2019-20:

Amount of relief to be granted =

$$\frac{V}{3} \text{ where}$$

V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, excluding those where local authorities have used their discretionary relief

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<sup>2</sup> As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the retail discount.

powers introduced by the Localism Act which are not funded by section 31 grants<sup>3</sup>.

18. This should be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.
19. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid De Minimis limits.

### State Aid

20. State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However Retail Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)<sup>4</sup>.
21. The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years). Local authorities should familiarise themselves with the terms of this State Aid exemption, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1), the relevant definition of undertaking (Article 2(2)<sup>5</sup>) and the requirement to convert the aid into Euros<sup>6</sup>.
22. To administer De Minimis it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. Note that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation). Annex B of this guidance contains a sample De Minimis declaration which local authorities may wish to use, to discharge this responsibility. Where local authorities have further questions about De Minimis or other aspects of State Aid law, they should seek advice from their legal department in the first instance<sup>7</sup>.
23. The UK is scheduled to leave the EU on 29 March 2019. If there is an Implementation Period, the State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. If the UK leaves the EU without a negotiated Withdrawal Agreement, the Government has announced its intention to transpose EU State Aid rules into UK domestic legislation, with only technical modifications to correct deficiencies with the transposed EU law to ensure

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<sup>3</sup> As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the retail discount.

<sup>4</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF>

<sup>5</sup> The 'New SME Definition user guide and model declaration' provides further guidance:

[http://ec.europa.eu/enterprise/policies/sme/files/sme\\_definition/sme\\_user\\_guide\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf)

<sup>6</sup> [http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/infoeuro/infoeuro\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm)

<sup>7</sup> Detailed State Aid guidance can also be found at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/15277/National\\_State\\_Aid\\_Law\\_Requirements.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15277/National_State_Aid_Law_Requirements.pdf)

the regime operates effectively in a domestic context<sup>8</sup>. Local authorities should therefore continue to apply State Aid rules, including De Minimis, to the relief for 2019/20 and 2020/21.

### **Splits, mergers, and changes to existing hereditaments**

24. The relief should be applied on a day to day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

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<sup>8</sup> <https://www.gov.uk/government/publications/state-aid-if-theres-no-brex-it-deal/state-aid-if-theres-no-brex-it-deal>

## Annex A: Calculation examples for 2019/20

The retail discount (one third) is always calculated after mandatory relief and other discretionary reliefs funded by section 31 grant.

### Example 1: An occupied shop with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Retail discount (1/3):	= -£6,547
Rates due (after retail discount):	= £13,093

### Example 2: An occupied charity shop with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Net rates after charity relief:	= <u>£3,928</u>
Retail discount (1/3):	= -£1,309
Rates due (after charity relief and retail discount):	= £2,619

### Example 3: An occupied shop with a rateable value of £13,500 eligible for Small Business Rate Relief (SBRR)

Gross rates (before any reliefs) = £13,500 x 0.491	= £6,629
Net rates after SBRR (50%):	= <u>£3,314</u>
Retail discount (1/3):	= -£1,105
Rates due (after SBRR and retail discount):	= £2,210

### Example 4: An occupied shop with a rateable value of £10,000 eligible for Small Business Rate Relief (SBRR)

Gross rates (before any reliefs) = £10,000 x 0.491	= £4,910
Net rates after SBRR (100%):	= £nil
Rates bill is nil and, therefore, no retail discount applies	

### Example 5: An occupied shop with a rateable value of £40,000 eligible for Transitional Relief (TR) and receiving Revaluation Discretionary Relief

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Transitional Relief (say):	= -£1,500
Net rates after Transitional Relief:	= £18,140
Net rates after Revaluation Discretionary Relief (say):	= <u>£15,140</u>
Retail discount (1/3):	= -£5,047
Rates due (after TR, revaluation relief and retail discount):	= £10,093

### Example 6: An occupied shop with a rateable value of £18,000 previously paying nothing prior to revaluation 2017 and eligible for Supporting Small Businesses Relief (SSB)

Gross rates (before any reliefs) = £18,000 x 0.491	= £8,838
Supporting Small Businesses Relief (say):	= -£7,038

Net rates after SSB:	= £1,800
Retail discount (1/3):	= -£600
Rates due (after SSB and retail discount):	= £1,200

**Example 7: A shop with a rateable value of £40,000 (example 1) but only occupied until 30 September 2019**

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Retail discount (1/3):	= -£6,547
Rates due p.a. (after retail discount):	= £13,093
Daily charge while occupied (leap year):	= £35.77 per day
Occupied charge 1/4/19 to 30/9/19 (183 days):	= £6,547
Unoccupied property relief (1/10/19 to 1/1/20):	= £nil
Unoccupied property rates (1/1/20 to 31/3/20), £19,640 x 91/366	= £4,883
Rates due for the year (after retail relief):	= £11,430

**Example 8: A shop with a rateable value of £40,000 (example 1) with a rateable value increase to £60,000 with effect from 1 October 2019**

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Retail discount (1/3):	= -£6,547
Rates due p.a. (after retail discount):	= £13,093
Daily charge while occupied (leap year):	= £35.77 per day
Charge 1/4/19 to 30/9/19 (183 days):	= £6,547
Daily charge on standard multiplier (1/10/19 to 1/1/20): (£60,000 x 0.504)/366	= £82.62 per day
Charge 1/10/19 to 31/3/20 (183 days):	= £15,120
Rates due for the year (after retail relief):	= £21,667

## Annex B: Sample paragraphs that could be included in letters to ratepayers about Retail Discount for 2019/20 and 2020/21

At Autumn Budget 2018, the Chancellor announced that eligible retailers will receive a one third discount on their business rates bills for two years from April 2019.

Relief will be provided to eligible occupied retail properties with a rateable value of less than £51,000 in 2019/20 and 2020/21. Your current rates bill includes this Retail Discount.

Awards such as Retail Discount are required to comply with the EU law on State Aid<sup>9</sup>. In this case, this involves returning the attached declaration to this authority if you have received any other *de minimis* State Aid, including any other Retail Discount you are being granted for premises other than the one to which this bill and letter relates, and confirming that the award of Retail Discount does not exceed the €200,000 an undertaking<sup>10</sup> can receive under the *de minimis* Regulations EC 1407/2013.

Please complete the declaration and return it to the address above. In terms of declaring previous *de minimis* aid, we are only interested in public support which is *de minimis* aid (State Aid received under other exemptions or public support which is not State Aid does not need to be declared).

If you have not received any other *de minimis* State Aid, including any other Retail Discount you are being granted for premises other than the one to which this bill and letter relates, you do not need to complete or return the declaration.

If you wish to refuse to receive the Retail Discount granted in relation to the premises to which this bill and letter relates, please complete the attached form and return it to the address above. You do not need to complete the declaration. This may be particularly relevant to those premises that are part of a large retail chain, where the cumulative total of Retail Discount received could exceed €200,000.

Under the European Commission rules, you must retain this letter for three years from the date on this letter and produce it on any request by the UK public authorities or the European Commission. (You may need to keep this letter longer than three years for other purposes). Furthermore, information on this aid must be supplied to any other public authority or agency asking for information on '*de minimis*' aid for the next three years.

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<sup>9</sup> Further information on State Aid law can be found at <https://www.gov.uk/state-aid>

<sup>10</sup> An undertaking is an entity which is engaged in economic activity. This means that it puts goods or services on a given market. The important thing is what the entity does, not its status. Therefore, a charity or not for profit company can be undertakings if they are involved in economic activities. A single undertaking will normally encompass the business group rather than a single company within a group. Article 2.2 of the *de minimis* Regulations (Commission Regulation EC/ 1407/2013) defines the meaning of 'single undertaking'.

**'De minimis' declaration**

Dear [ ]

NON-DOMESTIC RATES ACCOUNT NUMBER: \_\_\_\_\_

The value of the non-domestic rates Retail Discount to be provided to [name of undertaking] by [name of local authority] is £ [ ] (Euros [ ]).

This award shall comply with the EU law on State Aid on the basis that, including this award, [name of undertaking] shall not receive more than €200,000 in total of *De minimis* aid within the current financial year or the previous two financial years). The *de minimis* Regulations 1407/2013 (as published in the Official Journal of the European Union L352 24.12.2013) can be found at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF> .

<b>Amount of <i>de minimis</i> aid</b>	<b>Date of aid</b>	<b>Organisation providing aid</b>	<b>Nature of aid</b>

I confirm that:

1) I am authorised to sign on behalf of \_\_\_\_\_ [name of undertaking]; and

2) \_\_\_\_\_ [name of undertaking] shall not exceed its *De minimis* threshold by accepting this Retail Discount.

SIGNATURE:

NAME:

POSITION:

BUSINESS:

ADDRESS:

DATE:

**Refusal of Retail Discount form**

<b>Name and address of premises</b>	<b>Non-domestic rates account number</b>	<b>Amount of Retail Discount</b>

I confirm that I wish to refuse Retail Discount in relation to the above premises.

I confirm that I am authorised to sign on behalf of \_\_\_\_\_ [name of undertaking].

SIGNATURE:

NAME:

POSITION:

BUSINESS:

ADDRESS:

DATE:



**Cheltenham Borough Council**

**Cabinet – 12<sup>th</sup> February 2019**

**Council – 18<sup>th</sup> February 2019**

**General Fund Revenue and Capital – Revised Budget 2018/19, and  
Final Budget Proposals 2019/20**

<b>Accountable member</b>	<b>Cabinet Member for Finance, Councillor Rowena Hay</b>
<b>Accountable officer</b>	<b>Executive Director Finance and Assets (Section 151 Officer), Paul Jones</b>
<b>Accountable scrutiny committee</b>	<b>Overview and Scrutiny Committee and Budget Scrutiny Working Group</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<b>This report summarises the revised budget for 2018/19 and the Cabinet’s final budget proposals and pay policy statement for 2019/20.</b>
<b>Recommendations</b>	<p style="text-align: center;"><b>Cabinet / Council</b></p> <ol style="list-style-type: none"> <li><b>1. Approve the revised budget for 2018/19.</b></li> <li><b>2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.</b></li> <li><b>3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £209.08 for the year 2019/20 (an increase of 2.99% or £6.07 a year for a Band D property), as detailed in paragraphs 4.18 to 4.23.</b></li> <li><b>4. Approve the growth proposals, including one off initiatives at Appendix 4.</b></li> <li><b>5. Approve the savings / additional income totalling £1,677,600 and the budget strategy at Appendix 5.</b></li> <li><b>6. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 6.</b></li> <li><b>7. Note that the Council will remain in the Gloucestershire business rates pool for 2019/20 (paragraphs 4.5 to 4.17).</b></li> <li><b>8. Approve the recommendations made by the Independent Remuneration Panel (IRP), as detailed in paragraph 5.14.</b></li> <li><b>9. Approve the Pay Policy Statement for 2019/20, including the continued payment of a living wage supplement at Appendix 9.</b></li> </ol>

**10. Approve the Medium Term Financial Strategy (MTFS) detailed in Section 5 and Appendix 10.**

**11. Approve a level of supplementary estimate of £100,000 for 2019/20 as outlined in Section 13.**

<p><b>Financial implications</b></p>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Paul Jones, Executive Director Finance and Assets.</b></p> <p><b>E-mail: paul.jones@cheltenham.gov.uk</b></p> <p><b>Tel no: 01242 264365</b></p>
<p><b>Legal implications</b></p>	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>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.</p> <p>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.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements. The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above specific levels and this has been taken in to account in recommending a 2.99% increase as set out in the report.</p> <p>Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail: peter.lewis@tewkesbury.gov.uk</b></p> <p><b>Tel no: 01684 272012</b></p>

<b>HR implications (including learning and organisational development)</b>	<p>Relationships with the two recognised trade unions continue to remain very positive. The Executive Leadership Team and the HR team will continue to work closely with TU colleagues in order to ensure that any potential impacts on employees as a result of realisation of budget savings are kept to a minimum.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: julie.mccarthy@publicagroup.uk</b></p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	As outlined in Appendix 1
<b>Corporate and community plan Implications</b>	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.
<b>Environmental and climate change implications</b>	The 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 Executive Director Finance and Assets 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
<b>1. Place and Economic Development</b>	
Transformation of Regulatory and Environmental Services delivery	Ensuring that the human resource processes that area 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.
Car parking strategy – volume / price analysis	An equality impact assessment was carried out on the car parking strategy as this was included in the papers that went to cabinet on 13 June 2017.
Environmental services efficiencies	Ensuring that the human resource processes that area used to enable any staff restructuring are compliant with equality legislation
<b>2. People and Change</b>	
Revenues and Benefits restructure	Ensuring that the human resource processes that area used to enable any staff restructuring are compliant with equality legislation
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
Publica Savings	None identified as part of this report

3. Finance and Assets	
Investment portfolio income generation	None identified
Local council tax support scheme	An equality impact assessment was carried out on the new local council tax support scheme and this was included in the papers that went to council on 10 December 2018.
LGPS up-front payment discount	None identified
Municipal offices - Letting of surplus office accommodation space	None identified
4. Use of Reserves	
Use of Budget Strategy (Support) Reserve	None identified

## 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 2019. The consultation took place between the period 19th December 2018 to 25th January 2019 and this report sets out the final proposals for 2019/20.
- 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 75% 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 2018 the Cabinet proposed a net budget requirement for consultation totalling £14.666m and was based on a 2.99% (£6.07 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** The final financial settlement was announced on 29<sup>th</sup> January 2019 which resulted in some changes to the assumptions used in the interim budget proposals that were presented at the Cabinet meeting held on 18<sup>th</sup> December 2018. The most significant changes and announcements proposed in the settlement were:
- The announcement that Gloucestershire was not successful in its application to pilot 75% Business Rates Retention (BRR) in 2019/20;
  - 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 £228,797 NHB in 2019/20;
  - The distribution of £180m business rates retention levy pro-rata to the 2013/14 Settlement Funding Assessment. This equates to an additional £42,893 in 2019/20;
  - An upward adjustment to the 2017/18 tariff for business rates revaluation which resulted in a reduction in retained business rates of £81k;
  - Fair Funding Review and Retained Business Rates consultations on new funding methodology from 2020/21 which closes on 21<sup>st</sup> February 2019;
  - Confirmation to the removal of 'negative Revenue Support Grant (RSG)' in 2019/20.
- 1.6** The additional pressures outlined in Appendix 4 have been funded by the additional funding, which will result in a revised net budget requirement of £14.831m 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 2019/20 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2019/20. The full assessment is attached at Appendix 2.

## 3. 2018/19 Budget Monitoring to December 2018

- 3.1 The budget monitoring report to the end of December 2018, also considered by Cabinet on 12th February 2019, indicates that despite a number of variances to the budget it still anticipates the delivery of services within budget in 2018/19.

## 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 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 1.4% in 2019/20 which is significantly less than expected due to the removal of negative RSG.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	1.273	0.544	0.102	0.000
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.600	2.653	2.733	2.796
<b>Settlement Funding Assessment</b>	<b>3.873</b>	<b>3.197</b>	<b>2.835</b>	<b>2.796</b>
Actual cash (decrease) over previous year	(0.816)	(0.676)	(0.362)	(0.039)
% cash cut	(17.4%)	(17.5%)	(11.3%)	(1.4%)

- 4.3 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.

- 4.4** As detailed within the Medium Term Financial Strategy (MTFS) at Appendix 10, 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 21<sup>st</sup> February 2019. In addition, there is a further consultation paper on business rates retention with the same closing date. Officers will work with colleagues within Gloucestershire to ensure a robust response is put forward on behalf of this Council.

### **Business Rates Retention (BRR)**

- 4.5** 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.
- 4.6** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 4.7** The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.
- 4.8** 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 Tewkesbury Road, is significantly above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.
- 4.9** Taking the above into account, it is the opinion of the Section 151 Officer that this Council will benefit from remaining in the pool in 2019/20 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements. For information, Cheltenham's additional share of the pool surplus in 2017/18 was £475,341.
- 4.10** Members will recall that Gloucestershire's bid was successful to pilot 100% business rates retention in 2018/19 and indications announced at the time were that this was worth circa £9.2m to Gloucestershire as a whole.
- 4.11** Under the current pilot arrangement, 100% of growth is shared locally, with 30% going to the District's, 50% to the County Council and 20% to the Strategic Economic Development Fund. Current projections suggest that the overall pilot gain in 2018/19 is now circa £14m. After allowing for the creation of a £1.4m 'risk reserve', the benefit to Cheltenham Borough Council is estimated to be circa £640k and Council approved that this would be ring-fenced to fund one-off economic growth initiatives specific to Cheltenham. As the pilot does not form part of the settlement funding assessment for Cheltenham Borough Council and was only for one year, this additional income has not been built into future base budget estimates.
- 4.12** The existing 100% business rates pilot will end on 31<sup>st</sup> March 2019. Gloucestershire, alongside all other authorities in England, were invited to make an application to the Ministry of Housing, Communities and Local Government (MHCLG) to pilot 75% business rates retention in 2019/20, and a bid was submitted ahead of the closing date of 25<sup>th</sup> September 2018.
- 4.13** The provisional financial settlement announced on 13<sup>th</sup> December 2018 (and ratified by the final settlement announced on 29<sup>th</sup> January 2019), confirmed that Gloucestershire was not successful in its application to pilot in 2019/20 but it has been confirmed as having pool status, which will result in a reduced levy being payable. The Government were committed to providing opportunities for new pilots to be established in 2019/20 which included Northamptonshire, Somerset, Worcestershire and Buckinghamshire.

**4.14** 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 MHCLG. The NNDR1 return was submitted to the MHCLG by the deadline of 31<sup>st</sup> January 2019 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and it is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position is £1.6m. However, due to large reductions made by the Valuation Office (VO) in the rateable values of supermarket ATM's (which are backdated several years) and other rateable value changes, deficit adjustments need to be made from previous years to the value of £105,170.

	<b>2018/19 Original 100% system £</b>	<b>2018/19 Revised 100% system £</b>	<b>2019/20 Original 50% system £</b>
Retained business rates	27,178,478	26,957,989	21,993,793
Tariff payable to government	(23,875,005)	(23,875,005)	(18,936,362)
Grant to compensate for government decisions	1,474,787	1,599,062	1,651,218
Estimated levy payable to government after Pool surplus	-	-	(311,468)
<b>Net retained business rates</b>	<b>4,778,260</b>	<b>4,682,036</b>	<b>4,397,181</b>
Less Baseline Funding (target level of net retained rates)	(2,835,551)	(2,835,551)	(2,795,889)
<b>Net surplus on business rates against baseline funding</b>	<b>1,942,709</b>	<b>1,846,495</b>	<b>1,601,292</b>
Deficit adjustment re 2016/17	(235,484)	(235,484)	-
Deficit adjustment re 2017/18	(510,226)	(510,227)	73,117
Deficit adjustment re 2018/19	-	220,489	(178,287)
<b>One-off adjustments re previous years' deficits</b>	<b>(745,710)</b>	<b>(525,222)</b>	<b>(105,170)</b>
<b>Net retained business rates (after one-off deficit adjustments)</b>	<b>4,032,550</b>	<b>4,156,814</b>	<b>4,292,011</b>
Transfer to BRR earmarked reserve	(633,457)	(633,457)	-
<b>Net retained business rates</b>	<b>3,399,093</b>	<b>3,523,357</b>	<b>4,292,011</b>

**4.15** 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, and is being addressed through the current consultation.

- 4.16** 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 2019/20.
- 4.17** 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**

- 4.18** Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 3 per cent for all local authorities, as in 2018/19. However, shire districts will be allowed increases of up to and including £5, or up to 3 per cent, whichever is higher.
- 4.19** CPI inflation was 2.1% in December 2018, which is above the Monetary Policy Committee's (MPC) 2% target. With increased pressure to deliver services with reducing government support, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 4.20** The tax base has increased by 2.16% in 2019/20 which has significantly exceeded the target of 0.8%. This increase comes from additional properties completed in the past year, the adoption of the empty homes premium and changes to the council tax support scheme (0.55%).
- 4.21** With this in mind, the Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.
- 4.22** The uncertainty surrounding the future of New Homes Bonus, the fair funding review and the reset in the business rates post 2020 which represents a significant proportion of our income, places a greater reliance on council tax as our main source of income.
- 4.23** Therefore, the Cabinet is proposing a 2.99% increase in council tax in 2019/20; an increase of £6.07 for the year for a Band D property.

### **Collection Fund**

- 4.24** 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 2018/19 is £110,500 which will be credited to the General Fund in 2019/20. 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 2019/20 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 net costs via a commercial mind-set. 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 council has a sizeable funding gap to resolve as well as a number of financial risks to manage. Given the ambitious nature of the council and its desire to ensure Cheltenham is a



place where people wish to work, visit and live the budget strategy for the medium term must reflect these aspirations and not jeopardise these core priorities.

- 5.3** The key building blocks for the executive team structure of Place and Growth; People and Change; and Finance and Assets, together with a planned and proactive approach to the use of reserves, are the key drivers for delivering the budget strategy as detailed within the Medium Term Financial Strategy (MTFS) at Appendix 10.
- 5.4** The budget strategy looks inwards at service transformation and modernisation, outwards at economic growth and investment, and relies heavily on collective ownership and oversight. The Council has an ambition to become more commercial in order to move towards a greater level of financial self-sufficiency. This will require a change at strategic level that will affect the whole organisation, taking into account the tight geography of the Borough, the pace of change desired and the high level of senior leadership buy-in required.
- 5.5** The key mechanism for carrying out this strategy is the commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.
- 5.6** The commercial strategy was adopted by Full Council in February 2018 with the vision “to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22”.
- 5.7** Part of our drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.
- 5.8** The MTFS indicates broadly how the Council will close the projected funding gap over the period 2019/20 to 2022/23. In future years, it includes targets rather than necessarily specific worked up projections of cost savings and additional income to allow the Executive leads autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs. Holding adequate information upon which to base the allocation of scarce resources is essential to address under-met needs.
- 5.9** The Cabinet’s interim budget proposals for 2019/20, approved at a meeting on 18<sup>th</sup> December 2018, included an estimate of £2.019m for the 2019/20 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.
- 5.10** The final assessment of the budget gap for 2019/20, based on the detailed budget preparation and the final local government financial settlement is £1.934m.
- 5.11** Closing a gap of this size is a huge challenge for the Council, but the challenge is being met by a proactive approach to identifying budget efficiencies, carried out by the Cabinet and the Executive Leadership Team. This work has identified efficiency savings and additional income of £1.678m as detailed in Appendix 5.
- 5.12** It is the Cabinet’s intention to meet the shortfall in funding in 2019/20 from the budget strategy (support) earmarked reserve in order to deliver a balanced budget. This will give the Council

more time to deliver its long-term strategy for delivering the substantial efficiencies required to become financially sustainable by financial year 2021/22.

**5.13** In preparing the interim budget proposals, the Cabinet and officers have considered the following:

- 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 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 2019/20.
- Budgeted for an increase in Members allowances of 2% for 2019/20.
- Budgeted for superannuation increases in accordance with the triennial review 2016 for the financial year 2019/20.
- Increased income budgets for the Cemetery and Crematorium, assuming an average increase in fees and charges of 2%.
- Increased garden waste charges by £3 whilst retaining the prompt payment discount at £3 per bin for households renewing their subscription ahead of their annual renewal date.
- All other fees and charges, including car parking charges, are subject to annual review by the Regulatory and Environmental Services management team. A target of £50k per annum has been established as part of the budget strategy approved to deliver a balanced budget.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

### **Members Allowances**

**5.14** In view of the fact that Members did not raise any issues to bring to the attention of the Independent Remuneration Panel (IRP) as part of the scheme for 2019/20, agreement was received in December 2018 from Paul Johnstone, Chair of the IRP that we would adopt the following approach:

- That the Basic Allowance payable to all Councillors is increased from April 2019 by an % equal to the proposed increase to staff relating to 2019/20 (i.e. 2 %).
- That the level of all Special Responsibility Allowances (SRA) be increased by the same %.
- That the allowances for Mayor and Deputy Mayor are increased by the same %.
- That Council is to note that the next full review will start in September 2019.

## **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 has been achieved through 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 2019 and 31st March 2020 respectively is detailed in Appendix 6.

### **8. Capital Programme**

- 8.1** The proposed capital programme for the period 2018/19 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 the 2019/20 property maintenance programme, which has been reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £470k to planned maintenance and £130k to reactive repairs, as detailed in 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 19<sup>th</sup> December 2018 to 25<sup>th</sup> January 2019. 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 7<sup>th</sup> January 2019 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 2019/20 to be met from the General Reserve, the same level as in 2018/19.

## **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 Executive Director Finance and Assets (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 Executive Director Finance and Assets 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 Executive Leadership Team hold 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.

<p><b>Report author</b></p>	<p><b>Paul Jones, Executive Director Finance and Assets (Section 151 Officer)</b></p> <p><b>Tel. 01242 264365;</b></p> <p><b>e-mail address paul.jones@cheltenham.gov.uk</b></p>
<p><b>Appendices</b></p>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Section 151 Officer budget assessment</li> <li>3. Summary net budget requirement</li> <li>4. Growth</li> <li>5. Savings / additional income</li> <li>6. Projection of reserves</li> <li>7. Capital programme</li> <li>8. Programmed Maintenance programme</li> <li>9. Pay Policy Statement</li> <li>10. Medium Term Financial Strategy (MTFS)</li> </ol>

<b>Background information</b>	<ol style="list-style-type: none"><li>1. Budget strategy and process report 2019/20 (Cabinet 6<sup>th</sup> November 2018)</li><li>2. General Fund Revenue and Capital – Interim Budget Proposals 2019/20 (Cabinet 18<sup>th</sup> December 2018)</li><li>3. Budget Monitoring Report 2018/19 position as at December 2018 (Cabinet 12<sup>th</sup> February 2019)</li></ol> <p><a href="https://www.gov.uk/government/consultations/review-of-local-authorities-relative-needs-and-resources">https://www.gov.uk/government/consultations/review-of-local-authorities-relative-needs-and-resources</a></p> <p><a href="https://www.gov.uk/government/consultations/business-rates-retention-reform">https://www.gov.uk/government/consultations/business-rates-retention-reform</a></p> <p><a href="https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2019-to-2020-written-statement">https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2019-to-2020-written-statement</a></p> <p><a href="https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2019-to-2020">https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2019-to-2020</a></p>
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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	ED Finance and Assets	01/09/2010
CR105	If the Budget Strategy (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	ED Finance and Assets	01/04/2016	4	3	12	Reduce	The MTFS is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2019/20 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	ED Finance and Assets	
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	ED Finance and Assets	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	Ongoing	ED Finance and Assets	

	the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.							the Council.  The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot.  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.	ED Finance and Assets	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	ED Finance and Assets	
1.07	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be	ED Finance and Assets	13/12/10	5	3	15	Reduce	Work with Publica and county wide CFO's to monitor changes to local government financing regime including responding	Ongoing	ED Finance and Assets	



	incorrect, then there is likely to be increased volatility around future funding streams.							to government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.			
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## Cheltenham Borough Council

**Cabinet – 12<sup>th</sup> February 2019**

**Council – 18<sup>th</sup> February 2019**

### **Housing Revenue Account - Revised Forecast 2018/19 and Budget Proposals 2019/20**

<b>Accountable member</b>	Cabinet Member for Finance, Rowena Hay
<b>Accountable officer</b>	Executive Director Finance and Assets, Paul Jones
<b>Ward(s) affected</b>	All
<b>Key Decision</b>	Yes
<b>Executive summary</b>	This report summarises the Housing Revenue Account (HRA) revised forecast for 2018/19 and the Cabinet’s budget proposals for 2019/20.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Note the revised HRA forecast for 2018/19.</li> <li>2. Approve the HRA budget proposals for 2019/20 (shown at Appendix 2) including a proposed rent decrease of 1% and changes to other rents and charges as detailed within the report.</li> <li>3. Approve the proposed HRA capital programme for 2019/20 as shown at Appendix 3.</li> </ol>

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Paul Jones.</b></p> <p><b>E-mail: <a href="mailto:paul.jones@cheltenham.gov.uk">paul.jones@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264365</b></p>
<b>Legal implications</b>	<p>There are no specific legal implications arising from the report</p> <p><b>Contact officer: Peter Lewis</b></p> <p><b>E-mail: <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a></b></p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>There are no direct HR implications arising from the report</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264355</b></p>

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

## 1. Introduction

1.1 The following amendments have been made to the interim budget report approved by Cabinet on 18<sup>th</sup> December 2018:-

- The revenue and capital forecasts for 2018/19 have been updated to incorporate latest information at 31<sup>st</sup> December 2018.
- The proposed capital programme for 2019/20 has been adjusted to include additional expenditure delayed from 2018/19.
- The budget for Council Tax on empty properties has been increased from 2019/20 following the confirmation of new charging rules.

## 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). The plan demonstrated a balanced approach requiring CBH management and maintenance savings, a re-alignment of the capital programme and the use of revenue reserves.
- 2.2 There have been significant changes in Government Housing Policy during the year, most notably the abolition of the HRA debt cap. This, together with the certainty on rent policy until 2025 which was announced 12 months ago, will have a positive impact on HRA resources enabling the Council to increase investment in new build and stock improvements. Further detail is provided below.

## 3. Update on Housing Policy

### 3.1 Rent Reduction

Rents will again be reduced by 1% in April 2019 being the final year of the four year policy that commenced in April 2016 and will finish in March 2020. The Government has previously 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 in December 2017. There are currently 555 claimants (November 2018) with 800 being anticipated by March 2019. Under present regulations there could eventually be up to 2,000 claimants, 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 had previously committed to extending Right to Buy to tenants in Housing Associations. The Government's original 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.

Although a pilot scheme is being trialled in the West Midlands, the Government has now confirmed that local authorities will not be required to finance this policy.

### 3.4 Right to Buy Receipts

The Government published a consultation paper in the summer which sought views on introducing more flexibility in the use of RTB receipts to fund new build. Though any relaxation in the conditions of use would be welcome, the suggestions put forward in the document would be limited in their impact and the sector response has been to request more wide ranging reform, including the abolition of RTB. The consultation closed in early October and the Government's response is awaited.

### 3.5 Abolition of the HRA Debt Cap

The Government has recently lifted HRA borrowing restrictions, abolishing the debt cap and leaving the level of borrowing to be controlled by the prudential code. This should allow a significant increase in the new build programme subject to the identification of appropriate sites and financial viability.

## 4. HRA Business Plan – Financial Projections

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

- Anticipated revenue outturn for 2018/19.
- The current development programme for the period from April 2019 to March 2022 which will deliver 105 new build units at a total cost of £14.83m.
- Contingency budgets for market acquisitions and the purchase of new affordable units on sites where Section 106 planning agreements are in place.
- A refreshed assessment of the 30 year "need to spend" on existing stock for both capital and revenue expenditure. This includes a new showers programme which has been identified as one of the most popular improvements requested during both the 2017 survey of tenants and residents and the voids review undertaken by the tenant services improvement panel (see further detail in paragraph 9.3).

### 4.2 The plan uses the following key assumptions:-

- CPI at 2% p.a. from April 2019
- Stock sales through RTB at 30 p.a. to March 2022 then reducing to 20 p.a. thereafter
- Rents reducing by 1% in 19/20 then 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, capital receipts and revenue **Page 94**, from reserves. Further capacity is now available following the abolition of the debt cap.

## 5. 2018/19 Revised Forecast

5.1 The forecast at Appendix 2 shows an increase in the operating surplus of £93,000 compared to the original budget. Significant variations (greater than £30,000) within the 2018/19 revised forecast have been identified in budget monitoring reports and are summarised below:-

<b>Budget Heading</b>	<b>Change in resources</b>
	<b>£</b>
Additional cost of IT licences and legal recharges	-47,200
Rent Income - additional income from earlier completion of new build properties and acquisition of stock, partially offset by higher void loss	25,000
Interest Receivable – higher than anticipated reserves and a higher interest rate	110,000
Other net variations	5,200
<b>Increase in Operating Surplus (compared to budget)</b>	<b>93,000</b>

3.2 The reduction in the use of revenue contributions to fund the capital programme (£1,992,000) arises from:-

- Capital expenditure lower than anticipated – stock acquisitions are expected to total £933,000 in year against a contingency budget of £2m. It is proposed that the unspent balance will be rolled forward to 2019/20.
- The availability of additional capital receipts from in year asset sales.

5.3 Revenue reserves are now estimated at £8,785,200 (previously £5,734,500) at 31<sup>st</sup> March 2019, reflecting a higher balance brought forward from 2017/18, the increase in the operating surplus and the reduction in revenue contributions to capital.

## 6. 2019/20 Budget Proposal

6.1 All rents will decrease by a further 1% in April 2019. The rent estimates assume a 0.8% void rate and 30 RTB sales in the year and also reflect additional income from new build and acquired properties.

6.2 Estimates of service charge income currently assume:-

- Increase of 2% for cleaning services supplied by CBH
- Overall charges for power to communal areas will be held at 2017/18 levels (under a 3 year fixed tariff deal until March 2020).

6.3 A new agreement for the HRA grounds maintenance work undertaken by Ubico is being finalised and will commence in April 2019 following Cabinet approval. There has been a comprehensive review of the areas maintained and the nature of work carried out. This will lead to some volatility in service charges to tenants and leaseholders. Those facing an increase in charges will be protected by transitional arrangements with increases being phased in over three years.

- 6.4 It is proposed that garage rents are increased from April 2019 in line with the Retail Price Index.
- 6.5 Significant changes to the HRA (greater than £30,000) in 2019/20 as compared to the revised forecast for 2018/19 are itemised in the table below. There is a reduction of £712,100 in the operating surplus for the year when compared with the 2018/19 forecast.

Budget Heading	Change in resources
	£
Increase in bad debt provision – impact of welfare reform	-34,000
Increase in CBH management fee (see paragraph 7.2 below)	-150,000
General & Special Management – primarily due to additional recharges from Council Departments	-59,400
Increase in Repairs & Maintenance - pay award and other inflation	-86,700
Depreciation – reflects change to stock numbers and inflation on replacement components	-69,200
Decrease in rents - rent reduction & net stock loss	-214,600
Interest receivable – lower reserves	-64,600
Other net variations	-33,600
<b>Decrease in Operating Surplus (compared to 2018/19)</b>	<b>-712,100</b>

- 6.6 Revenue contributions totalling £8,843,900 will be required to fund capital expenditure in the year, reducing revenue reserves to £1,502,400 at 31<sup>st</sup> March 2020.
- 6.7 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. If anticipated payments are at a level which could match or even exceed Government funding, MHCLG 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 MHCLG for a specific accounting direction. The level of payments continues to be monitored and the Executive Director, Finance and Assets has delegated authority to apply for such a direction if it appears probable that the annual allocation will be exceeded in any financial year. The draft HRA budget does not yet include any provision for such expenditure.

## 7. Cheltenham Borough Homes (CBH)

- 7.1 The draft budget includes provision for the management fees and other charges payable to CBH. The company has submitted its own detailed budget and fee proposal for 2019/20, which show a breakeven position on services provided to the Council.
- 7.2 The proposed management fee for 2019/20 (£5,294,000) is the sum forecast in the budget presented to Council in February 2018 plus an additional sum of £35,000 to fund the replacement of IT equipment previously financed by the HRA. The fee includes the cost of the agreed pay award of 2% in April 2019.
- 7.3 The HRA repair and maintenance budget for 2019/20 (£3,868,100) is also in line with projections within the four year plan and reflects cost increases from the pay award whilst also partly absorbing inflation on transport, materials and sub-contractors.
- 7.4 The cost of delivering the estate cleaning contract (£356,000) has risen by 4% which includes the anticipated cost of the pay award and additional services to communal areas (window cleaning and lighting checks).

## 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 has been undertaken and work is well advanced to implement new systems with an anticipated “go live” date in the summer of 2019.
- **Reactive repairs** – further efficiencies are anticipated from insourcing opportunities for fire protection works, aids and adaptations and delivery of the new showers programme, 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 with delivery to commence in 2019/20.
- **Cheltenham West regeneration (Masterplan)** – this Government funded project was completed in 2018 with the final report setting out a potential regeneration programme for the area. This envisages 3 phases of delivery over a 20 year period. There is an ongoing review of potential funding mechanisms to finance the programme.
- **New supply** – Council approval of the Housing Investment Plan in October 2018 will enable CBH to build/acquire units both for market and affordable rent whilst also continuing to manage the delivery of new stock within the HRA. Significant additional resources, in excess of £200,000, have been set aside to provide project management and development expertise to support the delivery of these ambitious programmes.
- **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 rollout of UC.
- **Accommodation strategy** – CBH is continuing to review opportunities to rationalise office accommodation to support more effective working practices and reduce future overhead costs.

## 9. Capital Programme

9.1 The revised capital programme for 2018/19 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 2019/20 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 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 new showers programme. All new build properties are being fitted with a shower. Currently approximately 2,500 homes have either an over bath shower or shower cubicle/wet room leaving a further 2,000 homes without such a facility. The programme will fit over bath showers to these



Page 97  
properties over a period of 10 years at a total cost of £2.4m. This expenditure and the subsequent cost of maintenance and renewal will total £7.7m over 30 years, which can be accommodated within the business plan.

- A provision of £2m to fund the refurbishment of Cornish properties commencing in 2019.

- 9.4 Appendix 4 also gives estimates for expenditure on new build and acquisitions in the period to 31st March 2022. The annual budgets for new build only include cost estimates for schemes currently being progressed. It is estimated these schemes will deliver a further 105 units. It is anticipated that additional schemes will be brought forward during the period as new sites are identified. There are also contingency budgets for market acquisitions and the purchase of new affordable units on sites where Section 106 planning agreements are in place.
- 9.5 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.
- 9.6 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 also 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. It is anticipated that further borrowing will be required in 2020/21 and 2021/22. The final annual funding plans will be determined by the Section 151 Officer to maximise 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 £1.5m at 31st March 2022.

## 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
- 11.2 The end of rent reduction, certainty on rent policy for 5 years and the lifting of the debt cap all strengthen HRA viability and give additional capacity to invest in both the existing stock (e.g. the new showers programme) and new build. Prudential borrowing rules will now govern the scale of borrowing that the HRA can undertake.
- 11.3 The budget provides additional resources to support a significant increase in the pace and scale of new supply within the HRA. This will complement the resources also made available to CBH through the Housing Investment Plan to deliver new market rented units.

**12. Consultation process**

12.1 The 2019/20 budget proposals have been endorsed by the CBH Board and members of the Tenant Scrutiny Improvement Panel. No other specific concerns or comments have been received.

<b>Report author</b>	<p><b>Steve Slater, Executive Director (Finance and Resources), Cheltenham Borough Homes</b></p> <p><b>Tel. 01242 387539;</b></p> <p><b><i>e-mail address steve.slater@cbh.org</i></b></p>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. HRA Operating Account</li> <li>3. Major Repairs Reserve and HRA Capital Programme (summary)</li> <li>4. HRA Capital Programme (detail)</li> <li>5. CBH Value for Money</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. HRA 30 year Business Plan</li> <li>2. CBH Budgets and Plans 2019/20</li> </ol>



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The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	If CBH are unable to deliver savings to offset lower income as a consequence of 4 year rent reductions	Tim Atkins	December 2015	5	1	5	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	
1.02	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 2020	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 levels monitored.	Mar 2020	CBH through management agreement	
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 2020	CBH through management agreement	
1.06	If there is insufficient capacity to deliver the ambitious programme of	Tim Atkins	December 2012	2	3	6	R	The HRA budget includes specific resources to address capital	Mar 2020	CBH through management agreement	

	building works then the programme may not be deliverable							programme works.			
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 2020	CBC/CBH via the Operational Working Group	

## Page 103

HRA OPERATING ACCOUNT

	2018/19		2019/20	2020/21	2021/22
	Original	Forecast	Estimate	Projections	
	£	£	£	£	£
<b><u>EXPENDITURE</u></b>					
General & Special Management	2,194,600	2,240,700	2,300,100	2,130,000	2,182,000
ALMO Management Fee	5,144,000	5,144,000	5,294,000	5,399,900	5,507,900
Rents, Rates, Taxes and Other Charges	49,000	49,000	69,000	69,000	69,000
Repairs & Maintenance	3,781,400	3,781,400	3,868,100	3,964,800	4,063,900
Provision for Bad Debts	296,000	296,000	330,000	380,000	394,000
Interest Payable	1,684,700	1,684,700	1,684,700	1,783,500	1,908,500
Depreciation of Dwellings	4,465,100	4,460,900	4,533,900	4,601,900	4,731,900
Depreciation of Other Assets	296,200	295,300	291,500	293,100	294,700
Debt Management Expenses	81,600	81,600	83,200	84,900	86,600
<b>TOTAL</b>	<b>17,992,600</b>	<b>18,033,600</b>	<b>18,454,500</b>	<b>18,707,100</b>	<b>19,238,500</b>
<b><u>INCOME</u></b>					
Dwelling Rents	18,530,300	18,555,000	18,340,400	18,979,100	19,719,700
Non Dwelling Rents	460,500	472,700	484,300	490,400	496,800
Charges for Services and Facilities	855,700	843,100	857,500	896,900	931,400
Supporting People Grant	28,800	35,000	-	-	-
Feed in Tariff from PV Installations	238,600	232,000	229,000	235,800	242,900
<b>TOTAL</b>	<b>20,113,900</b>	<b>20,137,800</b>	<b>19,911,200</b>	<b>20,602,200</b>	<b>21,390,800</b>
<b>NET INCOME FROM SERVICES</b>	<b>2,121,300</b>	<b>2,104,200</b>	<b>1,456,700</b>	<b>1,895,100</b>	<b>2,152,300</b>
Interest Receivable	58,900	169,000	104,400	30,500	30,400
<b>NET OPERATING SURPLUS</b>	<b>2,180,200</b>	<b>2,273,200</b>	<b>1,561,100</b>	<b>1,925,600</b>	<b>2,182,700</b>
<b><u>Appropriations</u></b>					
Revenue Contributions to Capital	-4,081,500	-2,089,500	-8,843,900	-1,928,000	-2,182,700
<b>Net Increase/(Decrease) in reserves</b>	<b>-1,901,300</b>	<b>183,700</b>	<b>-7,282,800</b>	<b>-2,400</b>	<b>-</b>
<b>Revenue Reserve brought forward</b>	<b>7,635,800</b>	<b>8,601,500</b>	<b>8,785,200</b>	<b>1,502,400</b>	<b>1,500,000</b>
<b>Revenue Reserve carried forward</b>	<b>5,734,500</b>	<b>8,785,200</b>	<b>1,502,400</b>	<b>1,500,000</b>	<b>1,500,000</b>

<b>Rent Decrease/Increase 1st April</b>		<b>-1.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Social Rent</b>				
Average rent (+ 4 rent free weeks)	86.59	85.72	88.29	90.94
Average stock	4,414	4,389	4,359	4,329
<b>Affordable Rent</b>				
Average rent (+ 4 rent free weeks)	129.30	134.83	130.30	134.76
(nb average rent also reflect changes to stock mix following new build completions)				
Average stock	45	56	95	141

## Page 104

**MAJOR REPAIRS RESERVE**

	2018/19		2019/20	2020/21	2021/22
	Original	Forecast	Estimate	Projections	
	£	£	£	£	£
Balance brought forward	-	-	-	-	-
Depreciation of Dwellings	4,465,100	4,460,900	4,533,900	4,601,900	4,731,900
Depreciation of Other Assets	296,200	295,300	291,500	293,100	294,700
	<u>4,761,300</u>	<u>4,756,200</u>	<u>4,825,400</u>	<u>4,895,000</u>	<u>5,026,600</u>
Utilised to fund Capital Programme	-4,761,300	-4,756,200	-4,825,400	-4,895,000	-5,026,600
Balance carried forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**HRA CAPITAL PROGRAMME**

	2018/19		2019/20	2020/21	2021/22
	Original	Forecast	Estimate	Projections	
	£	£	£	£	£
<b><u>EXPENDITURE</u></b>					
<b>EXISTING STOCK</b>					
Property Improvements & Major Repairs	7,069,800	6,913,300	8,471,300	9,429,600	7,311,400
Adaptations for the Disabled	350,000	400,000	400,000	400,000	400,000
Environmental Works (Tenant Selection)	10,000	10,000	10,000	10,000	10,000
Repurchase of Shared Ownership Dwellings	50,000	50,000	50,000	50,000	50,000
	<u>7,479,800</u>	<u>7,373,300</u>	<u>8,931,300</u>	<u>9,889,600</u>	<u>7,771,400</u>
<b>NEW BUILD &amp; ACQUISITIONS</b>	3,500,000	2,402,000	7,631,000	6,423,000	3,096,000
<b>TOTAL</b>	<u>10,979,800</u>	<u>9,775,300</u>	<u>16,562,300</u>	<u>16,312,600</u>	<u>10,867,400</u>
<b><u>FINANCING</u></b>					
Capital Receipts	1,837,000	2,629,600	2,593,000	2,606,000	1,608,000
HRA Revenue Contribution	4,081,500	2,089,500	8,843,900	1,928,000	2,182,700
Leaseholder Recharges	300,000	300,000	300,000	300,000	300,000
Major Repairs Reserve	4,761,300	4,756,200	4,825,400	4,895,000	5,026,600
Borrowing				6,583,600	1,750,100
<b>TOTAL</b>	<u>10,979,800</u>	<u>9,775,300</u>	<u>16,562,300</u>	<u>16,312,600</u>	<u>10,867,400</u>



## Page 105

<b>PROPERTY IMPROVEMENT &amp; MAJOR WORKS</b>				
<b>Description of works</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
EXTERNAL IMPROVEMENTS	213,700	929,100	1,255,900	1,144,600
INTERNAL IMPROVEMENTS	383,300	826,600	1,092,600	1,037,200
PATHS, FENCES & WALLS	485,200	246,700	246,700	246,700
PV INSTALLATIONS & OTHER SUSTAINABILITY MEASURES	60,600	95,000	80,000	-
RENEWAL OF HEATING SYSTEMS	934,000	900,900	1,087,900	1,134,100
MAJOR REFURBISHMENTS TO VOID PROPERTIES	715,300	660,000	560,000	560,000
WINDOWS & DOORS	2,307,200	2,118,200	1,574,300	1,588,300
ASBESTOS	167,700	190,000	190,000	190,000
SHELTERED ACCOMMODATION	30,600	80,000	80,000	50,000
DOOR ENTRY SCHEMES	35,800	116,800	269,000	133,600
STRUCTURAL WORKS	20,800	50,000	50,000	50,000
COMMUNAL LIGHTING	785,100	417,000	224,900	134,500
FIRE PROTECTION	105,000	79,000	95,000	78,000
LIFTS	20,000	15,000	135,000	15,000
NON TRADITIONAL HOMES	-	1,000,000	1,000,000	-
GARAGE IMPROVEMENTS	-	25,000	25,000	25,000
WARDEN CALL UPGRADE	-	30,000	500,000	-
FEE FOR MANAGING PROGRAMME	649,000	692,000	709,300	727,000
CONTINGENCY	-	-	254,000	197,400
<b>TOTAL BUDGET FOR EXISTING PROPERTIES</b>	<b>6,913,300</b>	<b>8,471,300</b>	<b>9,429,600</b>	<b>7,311,400</b>

<b>NEW BUILD &amp; ACQUISITIONS</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>COUNCIL APPROVED</b>				
GARAGE SITES 2D	965,400	-	-	-
MARKET PURCHASE	933,000	1,067,000	-	-
S106 ACQUISITIONS		1,250,000		
<b>SCHEMES SUBJECT TO TENDER &amp; COUNCIL APPROVAL</b>				
CURRENT ESTIMATE FOR PIPELINE SCHEMES	503,600	5,314,000	6,423,000	3,096,000
<b>TOTAL ESTIMATE FOR NEW BUILD &amp; ACQUISITIONS</b>	<b>2,402,000</b>	<b>7,631,000</b>	<b>6,423,000</b>	<b>3,096,000</b>

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# CHELTENHAM BUROUGH HOMES

WHO WE ARE



WHAT WE DO



HOW WE SPEND

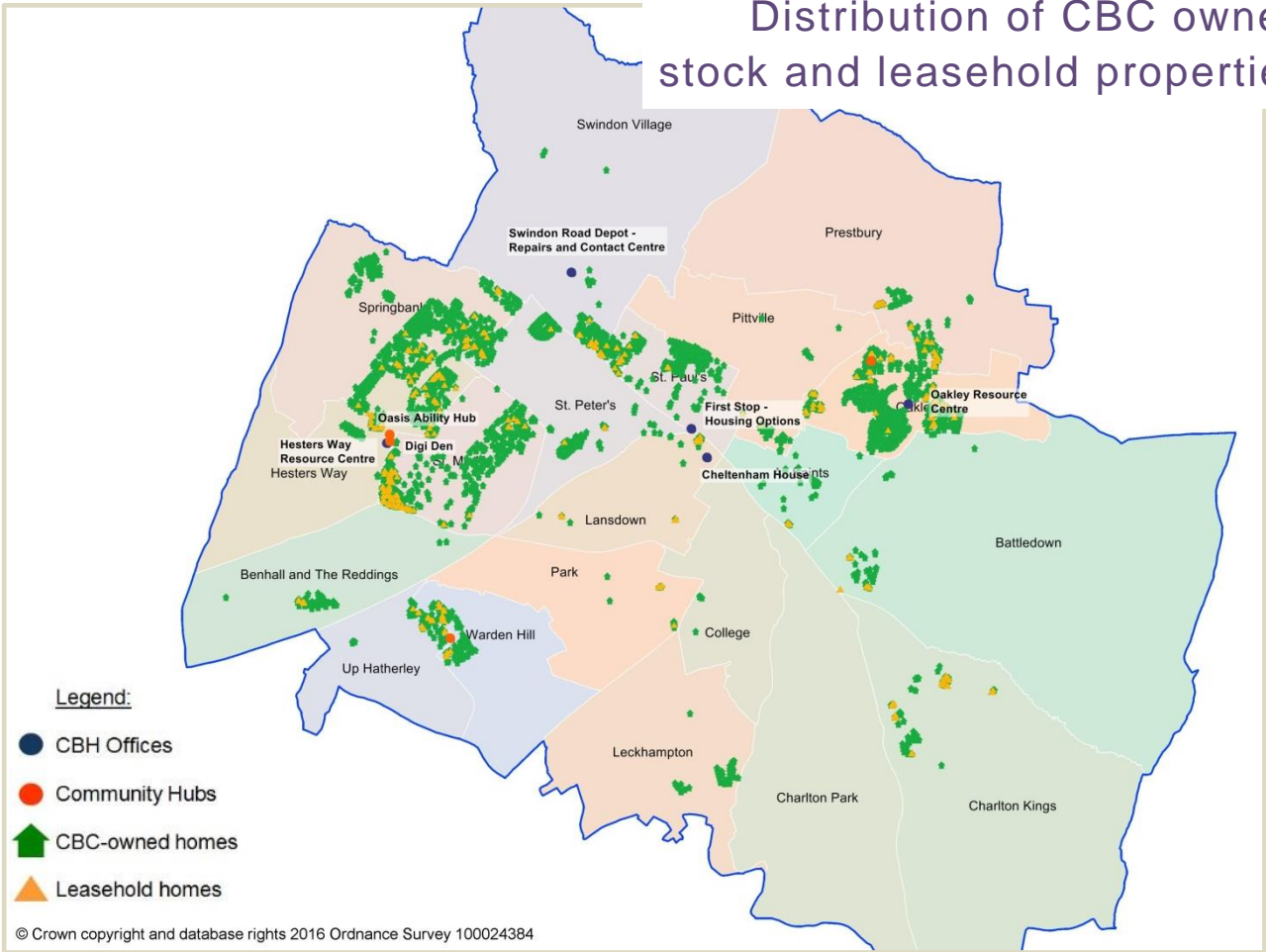


JANUARY 2019

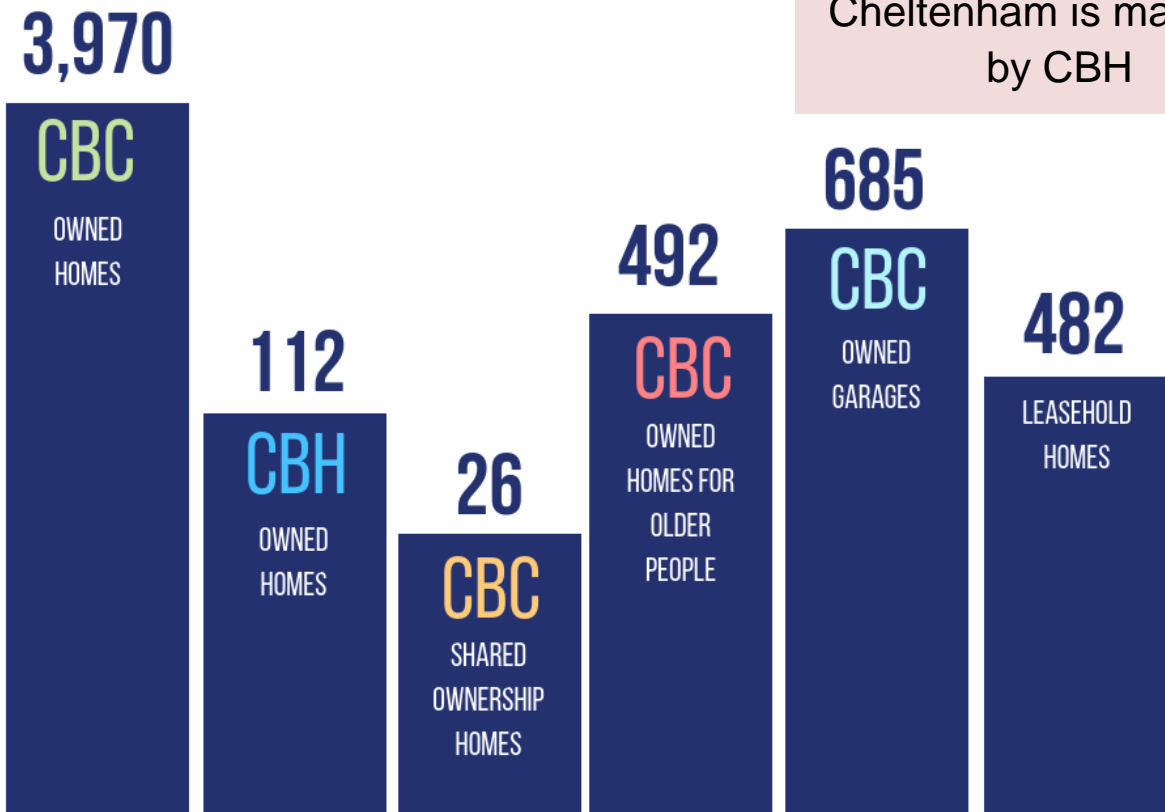
[www.cbh.org](http://www.cbh.org)



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 enabling clear plans to be set for the future and to continue fulfilling the aims of the Council's Housing Revenue Account (HRA) Business Plan, which are:

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

We successfully manage the HRA by identifying the need to spend on homes and services each year; then investing that to deliver repairs and improvements, provide new homes, and to deliver high quality services to tenants and leaseholders. We monitor and manage spend throughout the year and identify efficiency savings on an ongoing basis that we **re-invest in services or homes**.

## Working together

Our tenants and leaseholders give their time, energy and commitment to help us understand what is important to them and, in doing so, shape the services we provide. Tenants' overall satisfaction with CBH's services has **increased to 88%** placing CBH among the higher performing housing providers in England and Wales.

CBH is successful because the people that work for us demonstrate **pride, enthusiasm and dedication** in what they do. Our most recent figures show that 96% of colleagues reported that they were satisfied with CBH as an employer, again one of the highest figures in the housing sector. 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. We are achieving this at a time of **unprecedented change and challenge** for the housing sector.

We are a **committed** and **passionate** local organisation. We share your vision for Cheltenham to be a 'place where everyone thrives' and support the delivery of the Housing and Homelessness Strategy. We have an excellent relationship with CBC; it is transparent and suitably challenging, it is also collaborative as demonstrated by the recent work to arrive at the approved **Housing Investment Plan** enabling CBH to access a potential £100m to deliver **500 new, high quality homes for Cheltenham**.

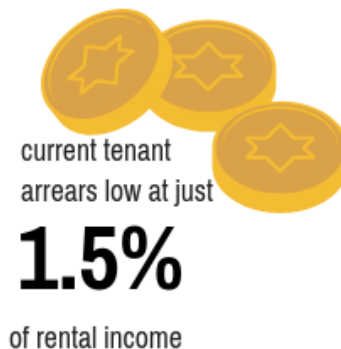
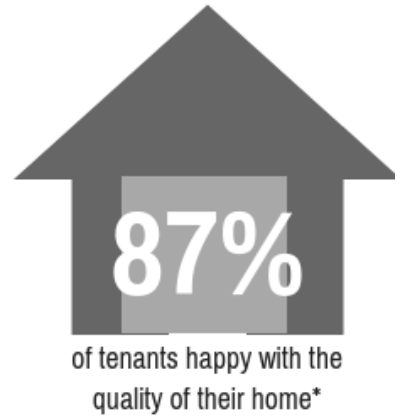
## Delivering added value

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** to make a positive difference to people's lives. We deliver advice for people dealing with **benefits and money issues**; support people to **find work and training** opportunities; provide hubs for and deliver **community activities**; provide **digital inclusion** opportunities; work closely with **local schools** to help students to remain in mainstream education; and support local partners to help people start up their own businesses through the **'STRIVE' project**.

# DELIVERING IN THE HRA, 2017/18

## Maintaining homes to a high standard & build new homes

The infographics below provide a look behind the numbers in the HRA, providing context and a selection of achievements that highlight just some of the excellent work that went on in 17/18.

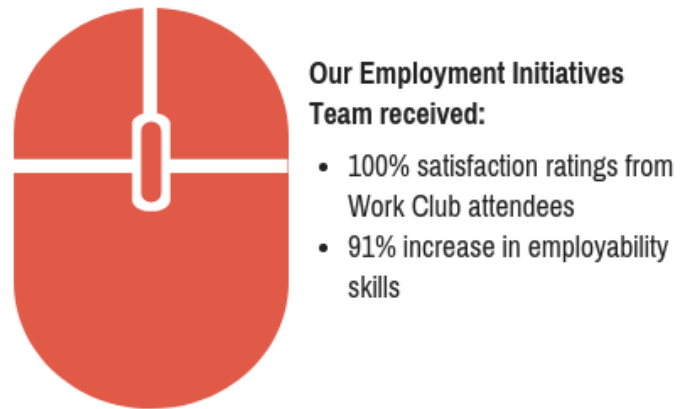
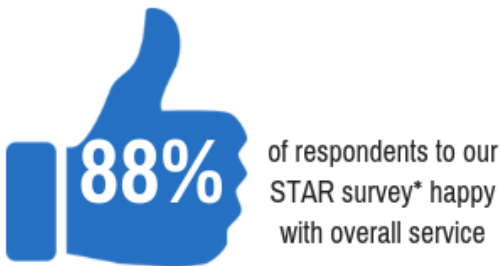
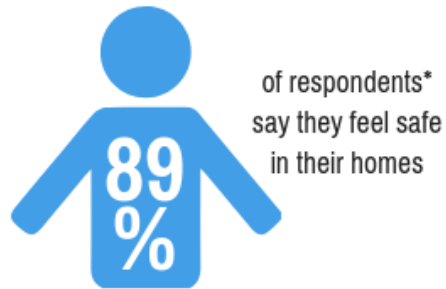


\* Taken from comprehensive biennial STAR survey. Just over 1,000 tenants responded – almost 1/4 of tenancies.

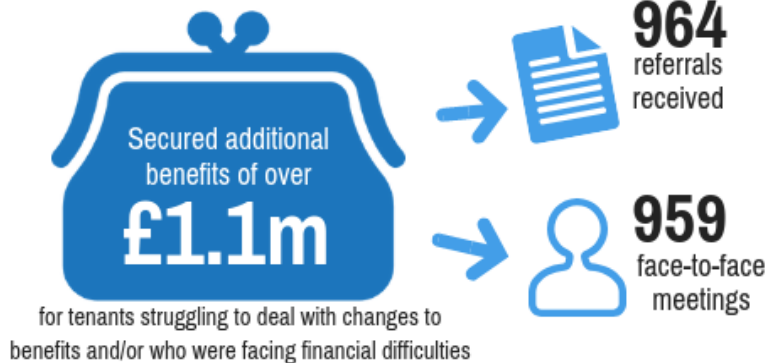
# DELIVERING IN THE HRA, 2017/18

## Provide value added services to people and communities

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.



Housing Options Team secured **£1.74m** in unclaimed and backdated benefits



\* 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. Our **Vision** and **Aims** help us continue to do this effectively and efficiently, while enhancing services further.

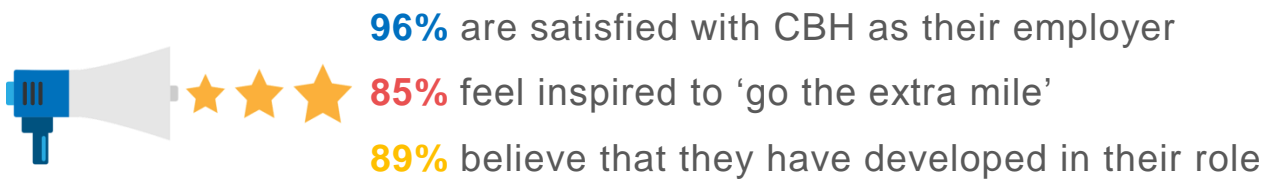
**Our Vision:** **Make Cheltenham a better place to live by providing great homes and stronger communities**

**Our Aims:**  **Great Homes**  **Stronger Communities**  **Inspired People**

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.



At the heart of this is the recognition that 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 People Plan was developed through in-depth consultation, with colleagues helping to shape its direction and the suite of activities it is currently delivering. At the heart of this is our **#WeAreCBH** group, a collection of 21 colleagues who volunteer to be a consultative body and help deliver these actions. Satisfaction has improved with a recent survey returning impressive figures:












Our systems and processes are being improved as part of a major programme of work that is due to end in 19/20. This will enable employees to **work more efficiently and effectively than ever before** and be better able to meet customers' needs. Our structures and resources to deliver our plans and promises are regularly reviewed to ensure they are appropriate.

We have 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 some of those priority areas of work that are being delivered now, that will ensure we achieve our Aims and maintain **excellent value for money**.









## We Aim to provide Great Homes by:

-  **Improving systems** – to make 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 enabling even more informed decisions about investment
-  **Continuing the ‘Cheltenham West Vision’ regeneration project** – refining the potential options to regenerate areas of Cheltenham to improve the quality of life for the people living there
-  **Providing new windows & doors** – across all homes to improve security and energy efficiency
-  **Deliver the solution for non-traditional build properties** –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
-  **Completing our Service Improvement Programme (SIP)** – which will develop and enhance the processes, applications and supporting technologies that enable CBH to deliver efficient & effective services into the future
-  **Managing Welfare Reform impacts** – to mitigate the effects that ongoing changes to benefits are having on tenants, people in need of social housing and the business
-  **Supplying new homes for Cheltenham** – this programme will be significantly expanded to help meet local housing need and balance CBC-owned stock lost to Right to Buy. Recent developments with CBC will enable a number of routes to be explored for the supply of both affordable and private homes including s106, acquisition and new build. We are looking into innovative construction techniques, for example modular and 3D printed builds, where this is appropriate






## We Aim to build Stronger Communities by:

-  **Supporting community projects and initiatives** – through sourcing external funding, resourcing community organisations and harnessing partner support and capacity
-  **Enhancing our role as a local community builder** – to work with partners to deliver locality based community investment
-  **Moving away from direct delivery** – to true partnership working
-  **Understanding our Social Value** – to demonstrate the social value we bring to communities



## We Aim to deliver this with Inspired People by:

-  **Developing people** – by enhancing our support for colleagues to help them achieve their potential through opportunities for personal and professional development we empower people to challenge the business where they feel something can be done better, or spot where they make a difference for customers, and then go the extra mile to achieve that
-  **Enhancing recruitment** – by modernising our recruitment and selection process to ensure we are attracting and recruiting excellent people who add extra value to the business and are committed to helping us achieve our Aims. Our suite of benefits help colleagues to maintain good health and wellbeing at work and at home
-  **Living our Values** – by continuing to listen to our colleagues to understand their needs and adapt the business to support them our colleagues are continually shaping the business. Our #WeAreCBH group is delivering our People Plan with colleagues, ensuring they feel valued and inspired to live the values they chose: #WeAreSupportive, #WeAreOne Team, #WeAreRespectful and #WeAreTrustworthy

# ENSURING VFM

**We are responsible for managing the resources of both CBH and the Council's HRA. A suite of Key Performance Indicators demonstrates the balance across costs, performance and satisfaction.**

We make use of an established sector model to provide an understanding of Costs per Property (CPP) for the financial year just completed and set targets based on future budgets: they are directly linked to actual spend and budgets. These, combined with performance and satisfaction levels, demonstrate **the balance across the three strands of value for money: costs, performance and satisfaction**. Our current suite of VFM KPIs is included on the following pages, aligned to our Aims, and show outturn at the end of 17/18 and challenging targets to 19/20. Commentary is included to provide some context to the numbers.

Key to RAG colours:

■ On or better than target ■ Slightly off target ■ Off target



## Providing Great Homes

	2017-18	2018-19	2019-20
	year-end outturn compared to target (as a RAG)	year-end target (approved)	year-end target (draft)
Direct cost per property of Major Works & Cyclical Maintenance	£1,756	£1,867	£2,284
% dwellings non-decent at the end of the period	0.37%	0.97%	0.35%
% dwellings with a valid gas safety certificate	99.81%	100%	100%
Average SAP rating (2009 methodology)	71.67	72	72.2
Windows and doors total installations	3,117	1,768	1,045
STAR satisfaction with overall quality of the home	87.19%	89%	89%
Number new homes supplied	9	25	41
Direct cost per property of responsive repairs & void works	£568	£581	£580
% of emergency, urgent and routine repairs completed within target	99.04%	99%	99%
% tenants satisfied with repairs carried out	99.22%	99%	99%
Direct cost per property of rent arrears and collection	£89	£100	£101
Current arrears as % of rental income (excluding court costs)	1.51%	2.86%	3.81%
Rent collected from current & former tenants as % rent due (excluding arrears brought forward)	99.19%	97%	97%
Direct cost per property of Lettings	£38	£42	£44
% Rent lost through CBC dwellings becoming vacant excluding temporary furnished	0.68%	0.71%	0.73%
Ave time taken to re-let minor void CBC properties (exc. temporary Furnished Accommodation and James Donovan Court) in days	17.85	16.5 days	19 days
Number of downsizers moved	New	18	22
Complaints closed at stage 1 - % within agreed timescales	100%	96%	96%
Average time taken to respond to initial complaints	7.6 days	12 days	10 days
Number of complaints per 1000 properties	9.47	13	12
Percentage of contact centre calls answered	92.98%	96%	tbc
% online customer contact	New	7%	12%
Meeting CBH financial plan and budget targets	New	£58,000	£45,000
Meeting HRA financial plan and budget targets	New	£2,180,200	£1,573,400

### Major works and Cyclical Maintenance

It is vital to maintain appropriate capital investment in homes, based on up to date data sourced from our stock surveys: this enables decency levels and the long term viability of the stock to be maintained. Changes in costs each year reflect the different levels of spend that is required as part of the planned investment profile (30years long, with detailed plans for the next 5years): the increases in CPP reflects our desire to modernise stock to narrow the gap between new and existing properties and investment in non-traditional properties. It also takes into account feedback from tenants, which has seen an increased shower installation programme developed.

When compared with the external peer group, CPP is worse than the average figure, however Local Authorities and ALMOs tend to have an older stock profile than the majority of the sector, requiring greater investment. The range of indicators in the table above shows strong performance against local targets and future targets are challenging, maintaining a clear direction of travel. The non-decency target reflects the decision to pause decent homes work on a small number of non-traditional properties that are awaiting options appraisal. SAP figures have risen as a consequence of investment in energy reduction initiatives, and the ongoing windows and doors replacement programme.

### Responsive repairs and void works

The responsive repair service is a flagship service for tenants that delivers emergency, urgent and more routine responsive repairs. CPP figures are subject to the number and type of repairs raised, or exceptional weather during the year. Prudent budgeting takes this into account and, means that future year-end targets show a higher CPP. Void costs are affected by the number of terminations within a year and the state of repair of those homes, both of which can fluctuate significantly.

Current CPP figures are better than average when compared with our peer group. Repairs completed within target time remains excellent and satisfaction levels very high, both positioning CBH in the top quartiles for the sector. In order to improve efficiency and quality for tenants our current and future plans for this area are to insource more types of work.



Our responsive repairs service is very important to and highly regarded by tenants: over 10,000 repairs were delivered during 2017/18, with satisfaction levels running at 99%

### Rent Arrears and Collection

CPP for 17/18 is better than the target modelled and slightly worse than the sector average when compared with our peer group. We have proactively resourced the housing revenues team to deal with the challenges faced by both tenants and the business following changes to the Welfare System and the roll out of Universal Credit (UC) in Cheltenham. This has been carefully modelled and has enabled continued strong rent performance with levels demonstrating top quartile performance. Evictions for rent arrears are a last resort, we always seek to provide support through our benefit and money advice and rent collection teams to sustain tenancies and these numbers are some of the lowest in the sector. Future targets are arrived at following analysis of in-year change and use of sector modelling tools: they reflect the continuing challenges as the roll out of UC continues across the town: currently 700 tenants are claiming UC, who have more arrears than the rest of the tenant population: a final total of around 3,000 UC is currently expected.

## Lettings

CPP outturn was better than the target set for 2017/18. When compared with our peer group CPP is just below the average figure. This area continues to demonstrate strong performance, with the time it takes to re-let empty homes and the rent lost while they are empty both low: this outturn places CBH in the top quartile for the sector. Satisfaction with the allocation and lettings process remains high and the reasons for terminating a tenancy are regularly analysed to spot trends or emerging issues. In order to make the best use of Council homes and help older people who may be living in large properties with large gardens, there has been a drive to proactively support tenants to 'downsize' to more appropriately sized homes. This activity, along with the decision to act on tenant feedback to install showers when an appropriate property becomes empty, is resulting in slightly longer re-let times and future targets reflect this, whilst seeking to maintain top quartile sector performance levels.

## Complaints and contact centre

Performance remains strong, reflecting the ease with which customers can make complaints and the effectiveness of the processes dealing with them. Learning from complaints and adapting services accordingly is a major part of the process. Contact Centre calls answered is slightly off target but future targets reflect the desire to drive that figure higher. The recently completed project to enhance the telephony system has resulted in a more resilient system with better call handling and functionality, enhancing the customer experience. It also provides improved reporting capabilities and more data which will help to improve performance and provide an opportunity to review the KPI reported to make sure it is the most appropriate measure.

## Finances

These KPIs are a high level check supplementing the in-depth financial monitoring the CBH management fees included in the draft HRA budget account for 95% of CBH activity on a break even basis. The deficit derives from CBH's own stock of homes which is in line with the CBH business plan and is projected to change to a surplus in 2 years. The operating surplus on the HRA has been extracted from the budget presented to Council for approval.

## Building Stronger Communities

	2017-18	2018-19	2019-20
	year-end outturn compared to target (as a RAG)	year-end target (approved)	year-end target (draft)
Direct cost per property of ASB	£58.30	£55	£57
STAR tenants feeling safe in their own homes	89.25%	93%	97%
% closed ASB cases that were resolved	96.79%	98%	99%
% satisfied with the way their ASB complaint was dealt with	100%	95%	98%
Direct cost per property of Resident Involvement	£62	£75	£68
STAR % customers satisfied that CBH listens to their views and acts upon them	65.84%	70%	70%
Direct cost per property of Tenancy Management	£93	£93	£99
Overall customer satisfaction (%) STAR Survey	88.18%	89%	90%
STAR satisfaction with value for money of the rent	87.47%	88%	88%
Income generated on behalf of customer year to date	£1,105,268	£680,000	£1m

**ASB**

Actual CPP at the end of 2017/18 was better than the target modelled as part of the budget process. This was possible due to more efficient structures and processes bedding in over the year. CPP is worse than the sector average, but investment in ASB work reflects the importance in which it is held by tenants.

Our ASB team is proactive and preventative, seeking mediation between complainants and working with local schools to raise awareness of the consequences of anti-social behaviour. We also work very closely in partnership with the Police, supporting various community initiatives, for example the ‘Cocooning’ day held in The Moors estate, and crime operations like the ‘County Lines’ campaign aimed at tackling drug gangs exploiting young and vulnerable people. This area of service demonstrates strong performance and satisfaction; feedback from satisfaction surveys show that 89% of respondents felt safe in their homes and satisfaction with the way the case was handled reflects top quartile performance when compared to the sector.

**Resident Involvement**

CPP was better than the target set in 2017/18. This was achieved following a review of structures and roles. When compared with our peer group CPP is worse than the sector average but CBH places tenant engagement high on our agenda. A dedicated tenant scrutiny panel helps to monitor and develop services; over 840 tenants (18% of all tenancies) are currently involved with our teams, ensuring there is opportunity to shape current and future services to meet their needs.

Our new Customer Services Strategy will prioritise and focus efforts in this area over the coming years to drive up performance and satisfaction levels.

**Tenancy Management**

CPP has decreased, following a successful review of structures and processes. When compared with peers CPP is worse than average, placing CBH in the bottom quartile. Draft 19/20 targets are affected by a change in the methodology used to calculate the CPP and will be revisited in early 2019 once the enhancements are complete. Increasingly CBH is managing tenants with a range of issues and needs and, wherever possible, we seek to identify the most appropriate support and help tenants to sustain their tenancy. To that end our tenancy management team has close working links with social services and support groups. A programme of tenancy audits is drawing to a close in the coming year which will result in a framework to help identify where resources are best used.

CBH has made the decision to continue to invest appropriately in supporting strong communities through effective neighbourhood and community management and involving residents. This supports local agendas which CBH is well placed to help deliver. Overall customer satisfaction with CBH remains high, exceeding target and when compared with the sector is better than the average figure.



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





	2017-18	2018-19	2019-20
	year-end outturn compared to target (as a RAG)	year-end target (approved)	year-end target (draft)
Average number of working days lost to total sickness	8.86	8 days	7 days
Leavers as % of average number of employees	14.40	12%	12%
Percentage of staff satisfied with your organisation as an employer	64.96%	82%	96%
% of colleagues feeling they are developing at CBH	New	75%	90%
% of colleagues inspired to 'go the extra mile'	New	No Target	90%

## Employees

Sickness and leavers figures are strong with both better than the sector average, future targets seek to improve these further. Satisfaction and feedback from our colleagues is regularly sourced and used to shape our values and Inspired People Plan. Current overall satisfaction with CBH as an employer sourced from a very recent survey shows that the figure has increased to 96%, which is top quartile performance when compared to the sector.

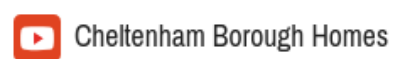
Our People Plan aims to make CBH a great place to work and create an environment where colleagues feel supported and empowered to make great things happen for both colleagues and customers alike. Future targets reflect our desire to further enhance satisfaction, development and engagement. Creating an environment where colleagues are encouraged to 'go the extra mile' will inspire and enable people to continue to deliver great new projects, both large and small which truly improve the lives of our customers. Examples of such projects include:

-  The **hugely successful 'Hamper Scamper' appeal**, aims to buy gifts for children living within disadvantaged households. This year CBH colleagues used their contacts to encourage other local businesses, including John Lewis, P3, The Freedom Church, Christchurch and St Paul's Church, plus some very generous local people to team up with us. This meant we were able to provide **over 250 toys and gifts**, and almost **270 winter coats** for local children. We also collected **48 hampers of food and Christmas treats** for young people, families and vulnerable adults.
-  Created by CBH employees, the **Help2 programme helps tenants** who find themselves in unexpected hardship or are facing exceptionally difficult circumstances; this could be as a consequence of bereavement, abuse or illness for example. Our colleagues volunteer to help out with projects, such as garden or home clearances or decorating and actively work with local partners who contribute materials and time. An annual discretionary fund is used to provide extra assistance in the shape of goods, vouchers or services to help individuals and families. **These projects make a huge difference to people**, for example a tenant suffering extreme anxiety due to historic abuse had cut themselves off from contact with the wider world. She worked three part time jobs with unsociable hours to avoid contact with people but was falling into arrears due to the financial difficulties she had been left with, and could not see a future in a home that she felt she could no longer cope with. We pitched in with home and garden clearance, decorating and money and benefit support. She fed back her thanks and one of her comments that struck a cord with the team is as follows:



For further information about the contents of this report please contact:

[business.support@cbh.org](mailto:business.support@cbh.org)



*great homes* | *stronger communities* | *inspired people*

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