CHELTENHAM
BOROUGH COUNCIL

Agenda Items 5-8
Budget Papers 2010/11

Cabinet
9th February 2010

Council
12th February 2010

Please note the attached budget reports for Agenda items 5 to 8 on the Cabinet Agenda for 9th February 2010.

Members are asked to bring this copy to the council meeting on 12th February 2010.

Democratic Services
28 January 2010

Cheltenham Borough Council

Cabinet - 9 February 2010

Council - 12 February 2010

Section 25 Report

Report of the Chief Finance Officer

1. Executive Summary and recommendation

1.1 Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (nominated Section 151 Officer) is required to report to the Council on the robustness of the estimates made for the purpose of setting the budget and the adequacy of the proposed financial reserves. The Council is under a statutory obligation to have regard to this report when making its decisions on the proposed budget.

1.2 The purpose of this report is to fulfil the duties of the Chief Finance Officer (CFO) under Section 25 of the Act. Members should read this in conjunction with the main budget report.

1.3 Cabinet / Council is therefore recommended to:

1.3.1 Note the contents of this report, and have regard to it when setting the budget, council tax and housing rents.

1.3.2 Financial	As detailed in the report **Contact officer: Mark Sheldon.** **E-mail: *mark.sheldon@cheltenham.gov.uk*** **Tel no: 01242 264123**
1.3.3 Legal	None as a direct result of this report.
1.3.4 Human Resources	None as a direct result of this report.
1.3.5 Equal opportunities, social justice and anti-poverty	None as a direct result of this report.
1.3.6 Environmental	None as a direct result of this report.

1.4 Links to Business Plan and Corporate Objectives

1.4.1 None.

1.5 Statement on Risk

1.5.1 A risk assessment of the budget proposals is appended to the main budget report.

---

2. Background

2.1 The purpose of this report is to fulfil the requirement under Section 25 of the 2003 Local Government Act for the Chief Finance Officer (CFO) to make a report to the authority when it is considering its budget, council tax and housing rents. The Act requires Councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.

3. Robustness of the estimates

3.1 In drawing together the detailed revenue budgets for each service a number of assumptions and principles have been applied. In reviewing the overall robustness of the estimates these should be assessed.

Inflation

3.2 At the time of preparing the budget the inflation allowances built into the base figures for 2010/11 were a reflection of the available indices with an allowance to reflect the expected trend into 2010. The September 2009 rates for the 'Consumer Prices Index' (CPI) was 1.1% and for the 'All Items excluding Mortgage Interest Payments' (RPIX) was 1.3%. The latest indices available for December 2009 are for CPI 1.9% and for RPIX 2.7%. Contract inflation has been allowed for at the appropriate contractual rate e.g. utilities budgets reflect negotiated rates.

3.3 However, it should be noted that, following previous practice, general inflation has not been provided for on service budgets unless the relevant professional officer has indicated this would cause material issue to the level or quality of service provision. Whilst this creates natural efficiency saving across the Council, it will be important to continue to monitor this policy to ensure that budgets are sufficient to provide services.

3.4 I am confident that service managers have sufficient budgets to fund supplies and services based upon prevailing pay and price levels in 2010/11.

Employee costs – pay / turnover

3.5 Employee budgets include a cost of pay award allowance of 1% plus an allowance for incremental progression. The net cost of service assumes an employee turnover saving of 3% of gross pay budget which equates to an assumed annual saving of around £400,000. Based on previous years this has been achieved but, given the current economic situation and the impact on the job market on turnover, this needs to be closely monitored.

3.6 In the chancellors pre-budget report, he indicated that pay for public sector employees was likely to be capped at 2011/12 and 2012/13 at 1%. More recently the employers side have rejected claims for a pay award on the basis of affordability. The budget assumes a 1% pay award. Given the prevailing inflation rates, future capping proposals and generally held view that public sector pay should be controlled, the pay award provisions for 2010/11 given that negotiations are not yet completed and over the course of the MTFS are prudent.

Employee costs – Single Status

3.7 The budgets for 2010/11 include the financial implications resulting from the single status review of pay and terms and conditions. The outcome of the review resulted in additional on-going costs rather than being 'cost neutral' as originally anticipated. The additional costs in 2009/10 have been offset by a lower than budgeted pay award and the use of the Reserve which was set aside for transitional costs, which are now less as a result of fewer staff facing reductions in pay as a result of appeals. As a result, the sum set aside in a reserve to finance the transitional costs proved to be in excess of the amount needed and its use to finance the additional on going costs in 2009/10 is therefore a reasonable approach.

Employee costs – pensions

3.8 The Council receives an annual report which projects the pension fund position forward taking into account changes in both member profile and performance of the fund. The report, which provided a position to August 2009, suggested that due to the significant fall in the stock markets and the expectation of increasing inflation, the funding level has dropped from an estimated 75.3% at March 2008 to 53.4% at August 2009.

3.9 In discussions with the pension fund actuary, it was suggested that this position, if sustained, is likely to result in an increase in contribution rates at the next triennial revaluation. However, the actuary is aware of the pressure this puts on council budgets and is considering approaches to keeping increases as low as possible including to potentially fund an additional 1% per annum increases over a longer period. The Council has been anticipating an increase and is currently estimating potential increases in contributions to 2% per annum over a 3 year period from 1st April 2011 i.e. 6% overall in the MTFS. This would see the contribution rate rise from 25% to 31% over next review period i.e. April 2011 to April 2013. In the Chancellors pre-budget report, he indicated that employee costs of pension funds should be capped. Whilst there is no detail to suggest what this might mean for the Council, it is reasonable to assume that the projections in the MTFS are sufficient for now.

3.10 Previously the Council has used its pension reserve to phase in the impact of the decision to pay the increase in rate immediately based upon previous actuarial advice that this is generally the cheapest option in the long term. The existing reserve is due to be used up in phasing in the funding of the previous increase in contribution rates. Over the coming year, as the Council moves closer to the next revaluation, more work will be undertaken to assess the implications and funding options for the potential increase in costs at the next triennial revaluation.

3.11 I am satisfied that, the Council has sufficient budgetary provision for employee related costs in 2010/11 and is being prudent in planning for a potential future increase in pension fund costs in the MTFS.

Concessionary Fares

3.12 The Government's free national off-peak concessionary bus travel scheme for the over 60's and disabled people was introduced in April 2008 allowing any UK English resident to travel on registered local services. Under the scheme, the Council pays for all eligible UK English residents for journeys starting in Cheltenham between the hours of 9:30am and 11:00pm funded by an additional specific Government grant of £552,000 for 2010/11. The Council currently enhances the national scheme for Cheltenham residents by offering free travel between 9:00am and 9:30am and for companions of disabled persons.

3.13 The scheme is very successful and because Cheltenham is a densely populated urban area with many local attractions and is the starting point for many journeys made in Gloucestershire, the cost of the scheme to the Council is significant (some £2.2m per annum). One of the major bus operators made a claim against the districts in Gloucestershire for a higher level of re-imbursement rate claiming that they were not sufficiently re-imbursed under the scheme. This resulted in a 3 year deal being negotiated with the operator on behalf of the district councils in Gloucestershire which is now the subject of a legal review, adding a further £440k of annual costs for Cheltenham. The budget for 2010/11 provides for full funding of the negotiated re-imbursement costs as per the agreement.

3.14 The additional grant received does not cover the additional costs and the Council has been notified of an additional amount to cover costs which, whilst welcomed, still leave the Council funding a shortfall of in excess of £1m. Since the budget already assumes the increased costs, the additional funding of £90k will be used to deal with the implications of more recent developments in the Icelandic bank deposits – see paragraph 3.22. The Council has responded to recent Department for Transport consultation lobbying for fair funding for the scheme.

3.15 In funding the increase in costs over that budgeted in recent years, the Council has now used all of the reserve specifically set up to support implementation. Therefore, any further additional cost, over and above the budgeted amount, will need to be funded from the General Reserve.

3.16 In his pre-budget speech, the Chancellor indicated his intention to transfer the responsibility for administration of concessionary fares from district councils to the higher tier from 1st April 2011. As such, the powers and responsibility will pass to Gloucestershire County Council wef this date. Consultation on the transfer of funding will take place this summer and the Council will be lobbying for a transfer of the funding originally given to the Council for funding the scheme rather than a transfer of the current costs of the scheme.

3.17 Based upon the latest available information, I am satisfied that the 2010/11 budget contains, as far as can reasonably be predicted, sufficient budget to cover the cost of concessionary fares in 2010/11 but would suggest that the Council press for the council's current level of top up to be retained by the Council in the transfer of the function to Gloucestershire County Council.

Treasury Management

3.18 The Council signed up to the CIPFA Code of Practice for Treasury Management in 2002 and updates annually its Policy and Strategy statements accordingly. Its decisions are supported by an external consultancy (ArlingClose) and considered by the Treasury Management Panel.

3.19 The Councils treasury management activity has generated significant returns for the

Council over many years. However, given the events of recent years and the uncertainty over the length of the economic crisis, it is now unlikely that investment returns will return to previous levels for some considerable time which continues to impact on the council. The Council was affected by falling interest rates resulting from successive reductions in base rate which reduced the level of investment interest earned by the Council of £1.5m to nearer £250k which contributed to maintaining the projected budget gap at 1.2m for 2010/11. The Council's response to the crisis was to reduce the reliance on investment interest to support the net budget and the impact of the volatility of interest rates on the contribution investment interest makes to the bottom line. As such, the Council's budget for investment interest was reduced on an ongoing basis to reflect the implications of prevailing low interest rates and no assumptions are made in the MTFS in respect of higher investment returns resulting from potential increasing interest rates. Once the longer term situation becomes clearer a more optimistic view may be reflected in the MTFS. The financial implications included in the budget are based on the recommendations of the Treasury Management Panel supported by Arling Close.

3.20 The collapse of the Icelandic banks, in which the Council had deposits of £11m made in 2006 for fixed three-year periods, presented a significant challenge for the Council. Despite operating within the strict guidelines outlined in the Council's Annual Investment Strategy, considered by the Council's Treasury Management Panel and approved by Council, being advised by professional external professional advisers and using internationally recognised credit rating agencies, the Council found itself exposed to the collapse of these banks. Officers have done all they can to recover the investments, £0.9m has already been recovered, but the administration process is still underway and the Council has yet to receive clear guidance over the level and timing of recovery.

3.21 Previous guidance from the Government allowed councils to defer the impact of any non recovery of investments in Icelandic banks which was a reasonable stance in view of difficulty in establishing the value and timing of any potential losses.

3.22 The interim budget proposals made assumptions about the financial implications of the exposure to Icelandic banks and included a provision for the potential write off of £1.5m of the deposit, based upon the best information and guidance at the time. In December 2009, the winding up board (wub) of Glitnir bank made a surprising announcement that it would treat local authority deposits the same as other depositors rather then give them preferential depositor status as had been determined by the wub of Llandsbanki bank. Given the uncertainty over this position, an application for an increased level of capitalisation direction was submitted in December 2009 as a precautionary measure. As such, the updated MTFS included in the final budget papers assumed the write off of the larger sum of £4.43m, assuming a worse case scenario i.e. that councils are unsuccessful in their challenge of the Glitnor bank decision. Given that it is unlikely that the Government will support the Council should this be the outcome and the uncertainty over the outcome, this is a prudent approach to take.

3.23 Following the banking collapse, the Chartered Institute of Public Finance and Accountancy (CIPFA) reviewed the Code of Practice covering this area and the Council revised its Treasury Management Policy and Annual Investment Strategy to take on board the recommendations of the review which strengthen the security of public money. The Annual Investment Strategy determines the parameters within which Officers undertake daily treasury management decisions. Following the banking crisis, the Council's treasury advisors, ArlingClose, continue to work with the Council and the Treasury Management Panel and provide on-going advice on policy.

3.24 In February 2009, a number of recommendations were incorporated in the revised Treasury Management Policy and Annual Investment Strategy's lending criteria to a much smaller lending counterparty list which was approved by the Council. Given the on-going uncertainty about the security and sustainability of banking institutions this approach is to continue in 2010/11. This should give Members some re-assurance that Officers will, as far as is possible to ascertain, minimise risk in any investment decision.

3.25 The prudential code requires that certain calculations be made (prudential indicators) which measure the impact of treasury and borrowing decisions and these are included in the Annual Investment Strategy. The indicators for 2010/11 do not yet include the implications of the borrowing for the Gloucestershire Airport to finance their runway safety project, since the phasing of the borrowing has yet to be determined. The borrowing to support the financing of the refurbishment of the Everyman theatre does not impact until 2011/12. I am comfortable that the treasury related decisions, as measured by these indicators, are in accordance with the prudential code.

3.26 The revision the council's Minimum Revenue Position policy statement supports the future borrowing decision in respect of the Everyman which neutralises the cost to the Council and reduces the costs of loan to the theatre and is therefore a sound approach.

3.27 **I am satisfied that, given the prevailing low interest rates, the assumptions for budgeting for investment interest and potential Icelandic bank losses are reasonable and follow Government advice. In addition, given the current continued uncertainty in the banking system the restriction in the revisions in the Annual Investment Strategy are appropriate.**

Income, Charging and Demand.

3.28 The Council continues to provide a number of demand led services e.g. car parking, land charges, leisure@cheltenham etc. The estimates for 2010/11 have been prepared on the advice of the professional Officers, who have taken a realistic view about income levels taking into account the impact of the economic downturn. Income from development control and land charges remains suppressed and income budgets for 2010/11 have been prepared on this basis. No assumptions have been made in the MTFS in respect of improving income levels. Given the uncertainty over how long the downturn will last this is a reasonable approach to take.

3.29 Car parking income remains one of the Council's largest demand led risks. The estimates have been prepared bases on increases in car park charges ranging from 0% to 7.7% which are projected to deliver an increase of 3.5% in gross car parking income. In setting the budget, analysis of the trend in car parking income has been undertaken which continues to confirm that year on years reductions are evident. The Council receives in the region of £4m from car parking income which contributes towards funding services and keeping the level of council tax down. Members need to be mindful of maintaining this income stream or replacing it with alternative income e.g. ground leases in the consideration of development of the current car parks as part of the Civic Pride initiative.

3.30 The budget process for 2010/11 involved the review of previous years' underspends. This identified additional income which has been factored into the base budget for 2010/11 based upon that achieved in 2008/09 for the Town Hall and Pump Room. Officers are confident that these improved income streams can be maintained into

2010/11.

3.31 The Council operates in some highly competitive areas where fees are subject to commercial decisions which are supported by benchmarking against the competition. The Council needs to be able to respond to the market and be more 'business like' and as such, although fees and charges are proposed in the final budget, changes to fees and charges are not restricted to the annual budget meeting. This is particularly relevant in light of the MTFS funding gap projections and the work of the 'Bridging the Gap' (BtG) Programme Board includes work streams for closing the funding gap from increasing income by increasing prices above inflation or the identification of new income streams, taking into account comparable charges with neighbouring authorities. Given the lack of Government funding, whilst being mindful of the impact on taxpayers in the current economic climate, it is more important than ever to ensure that income levels are maximised and, as such, service managers need the flexibility to vary charges to maintain demand for services.

3.32 Over a number of years, the Council has benefited from sizeable amounts of Housing and Planning Delivery Grant (HPDG). By its nature this is one off and cannot be built into base budgets and may not be available in future. HPDG has benefited the planning service significantly over recent years and, looking ahead, Members need to consider the future service implications of a reduction in this source of funding.

3.33 Overall, I am satisfied that the estimates for income are based upon reasonable assumptions made by Officers despite the difficulty in predicting income streams in the current economic climate. The situation will require close monitoring during 2010/11.

4. Housing related budgets

Housing Revenue Account

4.1 The Council's Housing Revenue Account (HRA) capital programme and revenue account have been prepared in consultation with Cheltenham Borough Homes (CBH). They are in line with housing rent limits, and take into account the full year financial impact for both the General Fund and the HRA of the additional borrowing consents received to support meeting the decent homes standard.

4.2 The estimates take into account a revised estimate of the charges to CBH for Council services which continue to be refined annually to take account of the management agreement. The estimates have been drawn up based on the latest information available concerning relevant subsidy levels, expected mid year Capital Financing Requirement and borrowing capacity (item 8 debit and credit calculations).

Housing and Council Tax Benefit.

4.3 The housing benefit regulations can change from one year to the next and, given the substantial sums involved, make accounting for benefit activity a high risk area. As a result, it is one of the few areas where the Audit Commission is required to undertake a separate annual audit of subsidy, payments and claims work. As Members will be aware, given the size of the financial amounts involved (around £40m), this is always an area of concern in preparing budget estimates. The Council continues to improve its standards and monitoring procedures in this area. Sound processes are in place to manage this complex area of activity which supports accurate budgeting and control. Based upon the year end position for 2008/09 and the monitoring of the current year's budget I believe the budgets to be, as far as can be predicted in this very volatile area, sufficient to fund predicted activity levels.

4.4 **In summary, the estimates for the HRA and Housing General Fund related budgets, as far as can be reasonably determined, appear to be robust.**

5. Finance Settlement

5.1 The estimates for 2010/11 provide for the financial settlement notified to the Council by the Department for Communities and Local Government (DCLG) resulting from the Government's Comprehensive Spending Review (CSR07). This provided estimates for the Government support for the 3 year period 2008/09 to 2010/11 which removed some uncertainty and previous fluctuation in grant.

5.2 Overall, the Government increased resources via formula grant by some £29billion in 2010/11, a 2.6% increase. But as far as Cheltenham's increase is concerned, the level of increase in Government support, on a 'like for like' basis at c0.5% in 2010/11 (2% over 3 year period of CSR07) which is well below the average increase across the country. The downside to a 3 year settlement is clearly that any anomalies are perpetuated for the duration of the spending review i.e. the council poor grant increase c0.5% was received in each of the 3 years whilst other authorities, including those in Gloucestershire, received significantly higher annual increases over the 3 year period. 2010/11 will be the final year of the current spending review and the Chancellor indicated in his pre-budget speech that, despite the economic crisis, level of support for councils in 2010/11 would not alter.

5.3 Whilst is very difficult to follow the exact methodology behind the settlements, the increases appear to assume a certain level of top slicing of savings. Given the pressure of pay and price inflation, pensions funding shortfall and the impact of recent legislation e.g. concessionary fares; this represents a real terms decrease in funding.

5.4 It is very evident that, following the general election, a future government will look to reduce the size of the public debt, resulting from the amount of public money being used to support the banking crisis by squeezing public spending. Although there is still no detail of what the implications of this are, the Council is modelling a significant cut in funding in the MTFS i.e. 10% in 2011/12 and a further 5% in 2012/13. Members need to be very aware of this possibility and be prepared to deal with the implications of such a cut. As we get closer to the election, the precise implications may be spelt out but, currently, there is still uncertainty over future funding levels.

5.5 The transfer of the responsibility and funding of concessionary fares to Gloucestershire County Council (GCC) wef 1st April 2011 also brings financial uncertainty. Whilst some of the funding which the Council receives is clearly identifiable, the initial funding for the old scheme (included in the RSG calculation), is not. However, assuming that the cost of the old scheme was fully funded via RSG and even taking into account the discretionary elements of the current scheme; the council is significantly topping up the level of funding locally. At the point of transferring funding to GCC, arguably the Government should only transfer the funding received but there is the potential for funding to transfer at current expenditure levels, hence the degree of uncertainty. the council will be lobbying against such a proposal.

5.6 Based upon the recent settlements and commentary from all political parties, a projection of the MTFS assuming a significant reduction in government support is a prudent approach.

6. Medium Term Financial Strategy (MTFS) and strategy for 'Bridging the Gap (BtG)'

6.1 Sound financial management requires that the CFO and Councillors have full regard to affordability when making recommendations about the local authority's future revenue and capital programme. The Council produces a Medium Term Financial Strategy (MTFS) which assists in its planning and preparing for future potential liabilities. The budget proposals include an updated MTFS which is based on known or expected expenditure plans for 2010/11 onwards, together with a number of assumptions over the next 5 years. The MTFS predicts the funding gap for the next 5 years modelled using various funding scenarios. The MTFS is becoming an increasingly important key strategic document which outlines the Council's strategy for closing the funding gap and strengthening the Council's approach to longer term financial management. The latest estimate of the size of the funding gap in the MTFS is £3.4m assuming a 15% cut in Government support, which is less than was anticipated as a result of the capping of public sector pay.

6.2 As I often point out, the level of annual increases in government grant and additional income which result from low levels of council tax increases are not enough to cover increasing costs leaving the Council in the recurring position of having a funding gap as illustrated below. This situation is only likely to worsen if Government grant funding is actually cut rather than marginally increase as has been the case over recent years.

	£m
Annual increase in base costs (inflation / pay awards etc.)	**1.00**
Increased contributions to fund infrastructure investment	**0.2**
less income from council tax @ 2.5% increase	**(0.2)**
less income from inflationary fees and charges	**(0.3)**
= Annual funding gap	**0.7**

NB: illustrative figures only

6.3 The Council should make every effort to break this cycle by increasing income streams and reducing costs so that annual costs inflation pressures are covered by additional income from price inflation.

Efficiency savings targets

6.4 As part of the comprehensive spending review (CSR07), the Government set targets for delivery of efficiency gains in local government requiring councils to find 3% cashable efficiency savings annually (£4.9bn over 3 years).

6.5 Cuts in services cannot count towards the target. Savings are measure as increases in productivity or enhanced value for money using the following criteria:

- reducing inputs (money, people, assets etc.) for the same outputs;
- reducing costs (procurement, labour costs, etc) for the same outputs;

6.6 Over recent years, the approach taken to the identification of savings has been pragmatic. Since the Council easily met the target through a combination of budget cuts (not resulting in a reduction in service), as a result of procurement savings and partnership arrangements in place to deliver the decent homes programme, very little effort was needed to identify further qualifying savings. However, having achieved such a high level of savings to date it is likely that future savings delivered through the budget process may need to come from reductions in service rather than cost efficiencies, making meeting the target through efficiency savings more challenging.

General Savings

6.7 In commencing the budget setting process for 2010/11, I re-iterated the general view that, although 'salami slicing' budgets may have generated significant savings in the past, Officers felt that it was no longer possible to deliver further savings without jeopardising the level of services. I am of the view that it is difficult to see how this is likely to be an option for future budgets since the 'easy options' appear to have been taken. In approaching the 2010/11 budget, the Cabinet have avoided salami slicing and have looked to the 'Bridging the Gap' programme to deliver savings and income to close the funding gap.

Procurement savings

6.8 The budget proposals for 2010/11 contain a target of £120,000 from procurement savings. Whilst a programme of procurement projects/savings has been identified to meet this target, it is critical that the Council can turn these into cashable savings. The Financial Services team continue to work with the Procurement team to validate the savings figures and adjust relevant budgets when savings are realised. The delivery of future savings will require significant sustained momentum in order to ensure the delivery of the target savings outlined in the Medium Term Financial Strategy.

'Bridging the Gap' (BtG)

6.9 The 'Bridging the Gap' (BtG) programme has been developed further as a corporate wide approach to meeting the challenge of the budget gap and has proved to be a major achievement for the Council. The identification of savings and additional income through this process has met the funding gap of £1.2m for 2010/11 and contributed some £2.3m towards the MTFS funding gap. The programme sponsorship and management changed during the course of the year and underwent a significant re-invigoration using many approaches and skills learned from the Council's organisational development programme.

6.10 The previously identified targets for work streams had served a purpose but were arbitrary and in the current economic climate, it had proved to be difficult to realise some of the savings streams e.g. asset management. As programme manager, I facilitated a number of sessions with the Senior Leadership Team (SLT) in order to re-think the Council's approach and generate ideas for bridging the gap and SLT are now aligned behind a collective commitment to resolving the problem of the gap. As such the individual targets are no longer needed.

My assessment of the progress and robustness of the workstreams are as follows:

6.11 Service Review and comparisons: Considerable cost comparison work was undertaken in progressing the sourcing strategy which concentrated on benchmarking corporate services using data from the Chartered Institute of Public Finance and Accountancy (cipfa). In addition, an exercise in comparison of fees and charges was attempted across the whole range of council services but this proved to be difficult since comparable pricing structures were not easy to find. However, some data was used to inform some of the above inflation price increases in the budget proposals and the approach should be maintained in the future. However, it is recognised that significant increases in charges above inflation are difficult to sell to the public particularly in the current economic climate.

6.12 Asset Management: One of the key pressures on the MTFS remains the cost of maintaining the Council's large property portfolio. The Council has, over a number of years, rationalised its property portfolio and is now left with few assets which are surplus to requirement. Efforts over recent years have demonstrated that the disposal of assets can be a lengthy process which is not without political difficulties. It is therefore important to establish the 'consensus' approach to property portfolio. The current work on updating the Asset Management Plan could assist Members in achieving this. The cross party Asset Management Working Party continues to make a valuable contribution to considering key property decisions e.g. Regent Arcade and St Pauls regeneration which is helping to develop a long term view of the property portfolio. Despite the economic climate there are still high aspirations for further investment in both existing and new buildings / facilities which will require both significant capital investment and potentially increased on-going revenue costs. The Council needs to be careful not to raise expectations which may not be affordable, particularly in view of the lack of potential funding sources and reducing revenue budgets. Long term affordability remains a key issue.

6.13 Shared services: Progressing the shared services agenda gained significant momentum over recent months following many years of achieving little. The service partnerships for audit, building control and legal represent an important step forward. The engagement of consultants 'eighty twenty' provided significant external expertise in the area of shared services which helped the Council progress options for sourcing a range of back office services, culminating in the sourcing strategy being approved by the Council in December 2009. From our experience, it is now clear that sharing is often complex, time consuming, can require significant pump priming and project management in order to deliver major changes for the Council. However, it is anticipated that sharing of systems, processes and staff may provide a more resilient and cost effective approach to delivering services in the future which is preferable to a more crude approach to delivering savings.

6.14 Service Reviews: Again, some significant progress in a number of areas with the resulting staff savings have been built into the budget for 2010/11. Since a number of vacant posts existed in the areas under review it meant that savings could be delivered quickly with minimal up front cost. It is important for the Council to learn from the service reviews and rollout the systems thinking approach across the organisation so that all services benefit.

6.15 Procurement: The Council has been rewarded from its investment in the procurement function by savings generated over many years but there becomes a limit to the potential for delivering savings given current systems and partnerships. As a result of the investment arising from the sourcing strategy work, additional resource has been approved to strengthen the procurement function. This should provide much needed manpower to, not only maintain the existing programme of work, but to support some of the major projects e.g. GO-7. It is apparent that translating the savings from tendering for goods and services into budget reductions is not always straight forward and requires close working between Financial Services, the procurement officer and buy in from the SLT.

6.16 A number of the proposals for bridging the funding gap arose from the BtG sessions with SLT who were asked to generate ideas for making savings or increasing income in order to deliver a 20% cut in controllable budget. Whilst this was slightly crude it proved to be an effective way of considering the impact of a potential significant squeeze in public sector funding. The result was a list of ideas which was considered by Cabinet. Some were accepted and form part of the budget proposals (Appendix C) including proposals which, whilst not contributing to the 2010/11 budget, contribute to future years to totalling £2.3m over the period of the MTFS.

6.17 Others ideas, labelled 'Future options' (Appendix D), are not supported by the Cabinet in the 2010/11 budget either because they require further work, are politically unacceptable or require some cross party consultation. This approach is a significant step forward and particularly relevant in responding to the public sector spending squeeze. Many of the future options are more controversial but some may be necessary in order to bridge the project funding gap. Members are urged to develop cross party consensus on more significant issues which make a significant contribution to closing the gap as soon as possible in order to both allow time to deliver savings or additional income and to avoid potentially more arbitrary alternative cuts.

6.18 In considering future options Members need to be mindful of the feedback from the IDeA peer review team felt that the Council was trying to do too much and that we should use the opportunity of the next corporate strategy to reassure ourselves that the Council has the financial and staffing capacity to deliver its ambitions. They wrote:

"A number of people raised some concerns about whether the council is trying to do too much. The nine (plus one) priorities lead to 33 overall aims which amounts to a very ambitious agenda. Given a rising budget deficit and difficulties experienced through the impact of the recession, there is concern that the council is in danger of spreading itself too thinly, with a result that it is pursuing too many priorities at a time of major resource challenge. When the business plans are next revised, it will be important for the council to satisfy itself that it has adequate staffing and financial resources to achieve its 33 aims".

6.19 In developing future joint corporate strategy and MTFS and in the context of reducing resources, the Council will need to consider this feedback.

6.20 BtG Staff sessions: The sessions facilitated by the Financial Services team in September 2009 proved to be a huge success with around 115 ideas being generated. As outlined, some have already been adopted and others will be subject to further work and considered by Members in future. Staff across the organisation made some very worthy contributions and this work is to continue via the intranet using the BtG pages which document the programmes progress in meeting the challenge.

6.21 Overall, the BtG programme has been a tremendous success in both bridging the funding gap for 2010/11 but also beginning to make progress towards future years. However, the programme contains many work streams which are complex and time consuming and it should be borne in mind that the organisation already has a huge agenda and does not have the spare resource to take on more. The work streams which generate significant future savings still require significant effort to implement proposals and Members need to be mindful of this over the coming years.

'One off' staffing costs

6.22 Members need to be mindful that, in decisions to reduce staffing numbers, savings may not be delivered immediately since one off redundancy / pension costs may offset savings initially. In the final budget proposals, many of the savings have been delivered as a result of vacancies which have been actively managed across the organisation. It is important that this continues, particular in view of the GO-7 initiative, in order to deliver savings as soon as possible and with as little up front cost as possible.

6.23 **Overall, the BtG programme has been a transformational approach to the identification and delivery of savings and additional income required to bridge the funding gap for 2010/11 without significant impact on services levels or reverting back to 'salami slicing'. The momentum of the 'Bridging the Gap' programme needs to be maintained and developed further, including more cross party working, in order to address future projected funding gaps.**

Capping / level of council tax increase

6.24 The Secretary of State retains certain capping powers through the Local Government Act 1999. In a statement to the House of Commons, the minister indicated that 'the average council tax increase for 2009/10 was 3% and that the anticipated that this amount will fall further in 2010/11 whilst protecting front line services'. In fact in a letter to councils, the minister indicated that the Government excepted council tax increases in England 'to achieve a 16 year low in 2010/11' and made it clear that it remains prepared to take capping action against excessive increases by authorities and will require them to re-bill households for a lower level of council tax if necessary. It should be noted that the cost to the Council of being capped is in the region of £50,000 plus any cash flow costs resulting from having to make payments to the precepting authorities whilst income is not being collected.

6.25 The final budget proposals assume a council tax increase of 2.5% for 2010/11 which is in line with the Government aspiration for the level of increase. The level of council tax is clearly a matter for Members to decide. Given a future government funding squeeze and inflationary cost pressures impacting upon budgets i.e. single status, utility costs, pensions costs etc. there is justification for increasing the council tax above the figure proposed to cover costs and Members need to be mindful that this option available but that there is the potential for firmer guidelines being issued in future e.g. potential for a council tax freeze. However, on balance, I would not advocate this approach and consider the proposed increase to be a reasonable balance between contributing towards increasing costs and minimising the increase for council tax payers in difficult economic times. Members do need to be aware that the additional income generated through low tax increase is not sufficient to close the gap and therefore places increasing pressure on the organisation to find savings.

6.26 In agreeing the level of council tax, Members need to consider carefully a balance between the level and quality of services and keeping council tax increases down. Every 1% increase in council tax provides approximately £77,000 of funding for services. Even at the maximum increase permissible of 5%, the average band D property would have to pay £9.35 per year more, for services provided by Cheltenham Borough Council, which is 18p per week. Looking back, had council tax been increased by 5% in each of the last 4 years in line with the Government capping level, the 2010/11 budget would be better off by more than £500,000.

6.27 Given the general view that council tax payers feel that they pay enough council tax and may be under tremendous financial pressure given the current economic climate, there is an understandable desire to keep council tax as low as possible. However, it is becoming increasingly difficult to absorb further cost pressures and maintain service levels and, as such, eventually these costs may have to be passed onto the council tax payer unless the Council is prepared to stop doing things. These are difficult decisions and often, when service cuts are suggested, the public react by opposing any reduction in service whilst still arguing that they do not want to pay more. The Council provides a considerable number of discretionary services over and above those that it statutorily needs to provide. The Council's basket of services and level of support to external organisations compares favourably with other councils and many residents and businesses value these discretionary services and cite them as the reason why Cheltenham is such a good place to live, work and 'do' business.

6.28 In making budget decisions, Members need to carefully consider the balance between low council tax and maintaining service levels in setting the budget. Whilst attractive in the short term, suppressing council tax increases at low levels can often lead to more damaging consequences for those services cherished by tax payers and visitors to the town whose presence helps to underpin key sectors of the local economy.

6.29 In summary, the proposed level of council tax increase strikes a balance between making a contribution to increasing costs and minimising the increase for council tax payer given the economic climate. In setting the level of council tax for 2010/11, the Council need to be satisfied that the proposed increase is reasonable and consider whether it is a sufficient base charge to finance the level of services which it wishes to see maintained in the future.

Asset Management Plan (AMP) and Capital strategy (CS)

6.30 The Government is placing more emphasis on the need for sound asset management planning, the requirement for which features in the Use of Resources Assessment. Guidance to local authorities in respect of the transfer of assets to the third sector, one way of reducing the burden on councils but also engaging the third sector in place shaping also exists.

6.31 The process of updating the Council's own Asset Management Plan (AMP) is underway. The Council has aspirations for significant investment in the property portfolio e.g. Town Hall, Art Gallery & Museum and Pittville Park as well as public realm as part of the Civic Pride proposals. An updated AMP should include a fully costed 'shopping list 'of aspirations for the Council's property portfolio including capital and revenue implications and the identification of options for funding. This will provide Members with a clear indication of what can be afforded from existing resources / future capital receipts and identify the potential level of prudential borrowing that may be required to fulfil these aspirations. The development and approval of the Asset Management Plan will provide a clear strategy which will ensure scarce staffing resource is not wasted in pursuing options which are not acceptable to the wider Council. The Council's Capital Strategy 2009/10 – 2013/14, approved by the Council in February 2009, set out the strategy for funding the capital programme and 20 year maintenance programme and made reference to key capital projects. An updated AMP will be a major step forward in developing a long term strategy for the Council's assets which will inform the development of the Capital Strategy further.

6.32 The Council is not yet in a position where it has enough money built into the base revenue budget to fund the annual maintenance budget (circa £1.4m) for the property portfolio. As a result, an incremental increase in revenue contribution to the Planned Maintenance Reserve used to fund building maintenance is factored into the MTFS.

The programmed maintenance for 2010/11 has been contained within the affordability envelope. Although plans are in place, included in the Capital Strategy approved by Council in February 2009, to address the longer term financing of the current projections of the maintenance programme, it may not ultimately address the spiralling cost of maintaining the size of the property portfolio. Members are faced with 2 choices (i) the rationalisation of asset portfolio resulting in a reduction in costs or (ii) accepting the cost of maintaining the portfolio and increase revenue contributions which impacts on council tax.

6.33 The potential sale of all or part of the Regent Arcade would have provided the Council with much needed pump priming money for civic pride and potentially avoided the liability to some of the costs of the refurbishment works. Given that negotiations so far have not resulted in the release of funds, the Council should actively look to progress other sourcing options, particularly Midwinter allotments. The proposed pump priming would have allowed the Council to have undertaken some high profile schemes e.g. Boots corner whilst some of the more complex and longer term redevelopment options are being considered. Members need to be mindful that the aspirations for civic pride may need to be adjusted in view of a potentially reduced affordability envelope and the timing of delivery of investment may be re-geared to the longer term realisation of other related proposals.

6.34 In the absence of pump priming from the Regent Arcade, the projection of the Civic Pride Reserve indicates that there is sufficient to fund the costs of the delivery vehicle in 2010/11. However, should the Regent Arcade or other asset sales not materialise in the short term, Members will need to consider how to top up the reserve to finance the delivery vehicle costs for future years.

6.35 The Prudential code allows councils to undertake non-supported borrowing to meet its objectives if this is considered to be prudent and affordable. Prudential borrowing is increasingly being used by a number of councils across the country. Given that the traditional method of financing capital i.e. revenue contributions is not likely to provide sufficient funds to meet the aspirations for investment in the property portfolio and civic pride, prudential borrowing needs to be given serious consideration, accepting that financing it given the existing budget gap and a public sector spending squeeze is likely to be challenging.

6.36 The budget includes proposals for prudential borrowing from the Public Works Loans Board to fund the investment in the Runway Safety Project for Gloucestershire airport and restoration works to the Everyman theatre.

6.37 The airport investment has been subject to considerable scrutiny over a number of years and the business case was robustly tested using both external advisors and by the Section 151 Officer at Gloucester City Council and myself for Cheltenham Borough Council. The decision made by the Council in December 2009 was based on considerable analysis of the plans and my endorsement of the financial implications of the project. The impact of the decision in respect of the airport is that Cheltenham, along with Gloucester city, will each borrow £1.2m from the Public Works Loans Board for on-ward lending to the airport to carry out the runway safety works. The borrowing is to be repaid by the airport company and, as such, there is no cost to the council tax payer. In fact the business plan projections indicate that the safety works will support more profitable business resulting in a projected increase in profits of c500k per annum. As a result of the approved revised dividend policy, each shareholding council will receive a projected increase in dividend of circa £123k per annum which has been factored into the MTFS and helps towards bridging the funding gap. The timing of borrowing to support the airports plans has yet to be resolved and has therefore not been factored into the prudential indicators at this stage.

6.38 The Everyman Theatre funding proposal involves £1m of prudential borrowing from the Public Works Loans Board for onward lending to the theatre to fund the refurbishment works. The necessary borrowing will not be needed until 2011/12 and is therefore not factored into the prudential indicators included in the budget proposals. In return for the facilitated loan and £250k grant, the theatre have been asked to agree to a revised lease which simplifies responsibilities and results in a reduction in the annual grant of £30k over a 6 years period. Again, this has been factored into the MTFS and will help towards bridging the funding gap. Similarly, it is important to establish that the business case is robust enough to ensure that the Everyman Theatre can repay the loan so that there is no cost to the council tax payer. Given that this scheme is still at an early stage, it is important to understand that the proposal, if supported, is still subject to the verification of the business case by the Section 151 Officer.

6.39 The prudential indicators, appended to the Treasury Management Policy for approval by Council, allow for the Council's own capital programming but not for the implications of the borrowing required for the Airport or the Everyman Theatre. Once the phasing of the borrowing is finalised, a revised set of indicators will be prepared for Member approval, likely to be in the outturn report to the Council in June 2010.The compete package of proposals are within a prudential framework and the decisions in respect of capital, as measured by the indicators, do not place unnecessary burden on the tax payer.

6.40 **The assumptions for financing the capital programme and the planned maintenance programme in the 2010/11 budget are reasonable. In moving forward, the Council must work towards agreeing a shared consensus for asset management in approving an updated Asset Management Plan.**

7. Assessment of Reserves

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

7.2 It is the responsibility of the local authority and its CFO to maintain a sound financial position. External auditors also have a key responsibility in reviewing the arrangements in place and may, in the course of their duties, form an opinion on the level of reserves taking into account their local knowledge of the authority's financial performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities.

7.3 Within the existing statutory and regulatory framework it is the responsibility of the CFO to advise the authority on its level of reserves. Councillors, on the advice of the CFO, should make their own judgements on such matters taking into account all the relevant local circumstances. These will vary and a number of these have been identified within this report, including the fact that recently the Audit Commission rated the Council as performing well in the overall management of the authority, the best score of the districts in the county. The adequacy of reserves can only be assessed at a local level and requires a considerable degree of professional judgement. The assessment needs to be made in the context of the authority's MTFS, its wider financial management, and other associated risks over the lifetime of the plan. The Secretary of State has reserved powers to set a minimum level of reserves to be held by councils if required.

7.4 The final budget proposals include a schedule of the reserves held by the Council, stating their purpose together with actual and proposed changes between years. These are reviewed on a regular basis and have been again in the process of finalising the budget proposals.

7.5 The MTFS provides longer term projections of reserves indicating a gradual reduction in the level of reserves over the next 5 years. This reflects the use of some of the one off reserves which are currently set aside to fund specific spending plans e.g. pensions, transitional costs of single status, Art Gallery and Museum development and capital and maintenance programmes. Over this period the annual revenue budget to fund the 20 year maintenance programme will increase to around £1.4m per annum which will be more in line with the annual spend, mitigating the reduction in the maintenance reserve currently used to finance the programme. At the end of the 5 year period of the MTFS, the total level of reserves, including the General Reserve, is estimated to be circa £5.2m 2015/16. The Council may, of course build up additional earmarked reserves to meet future spending plans which are not currently identified.

7.6 In assessing the level of the General Reserve, the Council had historically placed reliance on the degree and protection provided by earmarked reserves. Clearly there is an opportunity cost to holding reserves and I undertake regular a review of reserves to ensure that the Council does not hold money in reserves unnecessarily. This has resulted in a reduction in the number of specifically earmarked reserves over recent years. This had the potential to increase the risk of having to use the General Reserve but, in practice, has not caused an issue and is therefore a reasonable strategy. Money held in reserve ties up resources which could be spent on one off initiatives. However, conversely, every £100,000 held in reserve earns approximately £500 for the Council which is budgeted for in the revenue estimates as treasury management income.

7.7 The Council has previously agreed to aim to maintain its General Reserve at approximately circa 10% of net operating expenditure, or a level between £1m and £1.5m. The budget proposals for 2009/10 included the re-alignment of reserves to increase the size of the General Reserve by £1.05m, to circa £2.5m, to support the budget for 2009/10 and future budgets during the period of the economic downturn e.g. further reduction in income levels and investment income. Although, the Council has managed to deliver services without calling in the General Reserve, it had been use around £750k of the General Reserve to finance the cost of the court case in respect of the former Managing Director and may have to fund a further £450k should the former Managing Director win her appeal for 35% of the court costs currently determined by the court to be paid by her. Previously, I had provided advice that if the General Reserve was seriously depleted as a result of the losing the court case, that Members would need to consider building it back up.

7.8 Also, previously I had suggested that the General Reserve could be used to finance the potential losses from the deposits in Icelandic banks, which have been bolstered by the £1.2m VAT windfall. However, given that £585k was used to finance the investment in the sourcing strategy work, a further £149k is needed to finance the up front cost of initiatives which deliver savings and additional income of £1.2m in the 2010/11 budget, circa £80k to finance the costs of the KPMG review of the process leading to the court undertaking, I have reviewed the position. The estimate of the General Reserve as at 31/3/11 is £1.88m, assuming that the Council does not lose the appeal on court costs. Given the position in respect of Glitnir bank, I have assumed a worse case scenario for the potential scale of losses in Icelandic banks and have applied for a an increased capitalisation direction to spread the cost of this over 20 years rather than using the General Reserve as originally suggested. This would mean that the General Reserve would not be used and its balance would remain as projected and, as such, no further action would be needed to increase the revenue contribution in the MTFS to replenish it at this stage.

7.9 However, the delivery of the budget for 2010/11 and many of the Bridging the Gap initiatives which support it, has required 'up front' investment. The revenue budget is now extremely tight and there is less potential to deliver underspends, particularly in the current economic climate. In order to continue to deliver future savings as quickly as possible, it is important to have access to one off money. Therefore, I would recommend that Member take every opportunity to use further one off windfalls i.e. either future budget underspends or windfall funding, to top up the General Reserve. My advice would be that the level of General Reserve should be maintained toward the top end of the range £1.5 - £2m to fund future up front investment costs.

7.10 The triennial revaluation of the pension fund in 2007 resulted in an increase in the contribution rate, the impact of the increase on the General Fund being managed by use of the pension reserve. Given that the next triennial revaluation is due for April 2011 and the likelihood of a further increase in contribution rate, it could be argued that the pension fund should be increased further at this stage to deal with the potential impact on the General Fund budget in a similar say that that previously adopted. However, given the statements made in the Chancellors pre-budget report in respect of the capping of costs to employers and the fact that 6% increase in already factored in the MTFS and on the informal advice of the pension fund actuary, no action is being suggested at this stage. The triennial revaluation will hopefully make clearer the longer term picture in what is now becoming very confusing area of activity.

7.11 **Overall, I am satisfied that the projected levels of reserves are adequate for the forthcoming year and that the balance of reserves held is about right. However, there are still some uncertainties over the duration of the MTFS, particularly pensions, the Asset Management Plan and its impact on the Capital Strategy which may cause me to review this position in due course.**

8. Budget setting and monitoring.

8.1 In assessing the formation of the budget and MTFS and in any assessment of the adequacy of reserves, it is important to consider the authority's financial management arrangements.

8.2 The Council has a good track record in budget setting and financial management as recognised in the 'Use of Resources Assessment' score where the authority scored 3 i.e. exceeds minimum requirement – performs well, the best score of the districts within the county. It has a history of delivering services within budget and has a regular budget monitoring process which is reported to Cabinet which ensures that corrective action can be taken to address any in year financial issues where appropriate.

8.3 The Council has end of year procedures in place for budget under/overspends which are actively designed and communicated to ensure openness and positive financial management in removing the temptation to spend unnecessarily at the year end in order to use up unspent budgets. It is unfortunate that delivering services within budget, as a result of prudent financial management, has often been perceived as negative. These 'underspends' have been used to fund expenditure which would have otherwise been added to future budgets and council tax.

8.4 The current principle promoted throughout the organisation is that unspent budgets, where there is no on-going commitment / Member approved alternative use, are 'given up to the centre'. This mechanism allows the Council to absorb overspends or underachievement of income in other areas. It is important that 'delivering services within budget' continues to be promoted and accepted as a desirable outcome by Officers and Members since there is a danger that any other view promotes expenditure that may be incurred to avoid 'bad press' resulting in added pressure to future years' budgets.

8.5 Sound financial management is key to the success of the organisation and Officers continue to look at ways of improving financial management information. Training in both the use of the system and in budgetary control takes place on an on-going basis.

9. Corporate Risk Management

9.1 The Council's work around risk management continues to develop. Divisions regularly review their individual risk registers and continue to improve procedures / take action to mitigate risk where possible. The Council's corporate risk register continues to be assessed in order to establish whether any headway is being made in the control of risk. In 2009/10, the performance management system, Electronic Service Plan (ESP) was developed to include divisional and the corporate risk models.

9.2 Whilst the Council has made some progress in tackling some of the key risks or recognises the need to undertake work in the near future to deal with others, it continues to be challenged by the issue of capacity. However, the Organisational Development work has helped with this, e.g. the creation of the Senior Leadership Team to replace the BOD and Senior Management Team (SMT), coupled with coaching has led to examining the way we approach our work programmes. With reducing budgets and staffing it is important that Members are clear about what the focus of work should be and where the Council will spend less effort.

9.3 The Council provides a wide range of services which should be re-examined in the light of reducing resources. The Council is intending to move to a commissioning model using citizen's needs analysis to drive the commissioning of services. This may help to focus the Council on the needs of the citizens given the financial outlook.

9.4 The budget does not propose any cuts which have the potential to impact on corporate governance and this has been confirmed by the Audit Committee.

9.5 I am satisfied that the budget, as far as is possible within limited resources, aims to tackle some of the key risks in the corporate risk register and poses no significant increase in risks.

10. Conclusions

10.1 The Local Government Act 2003 requires the CFO to report to Council on the robustness of the budget estimates and the adequacy of reserves. This report aims to address this requirement and draws together a number of challenges and issues that are likely to face the Council in future years. The key issues and messages which require Members consideration in approving the budget proposals for 2010/11 include the following:

- The on-going impact of the economic crisis on Council income levels for services and investment income levels resulting from sustained low interest rates.
- The worse case scenario on the Council of its exposure to Icelandic banks built into future financial projections.
- The revision of the AMP and its implications for future capital and maintenance programmes for Council owned assets.
- The importance of the delivery of savings through the 'BtG' work streams to closing future funding gaps given that there are now no alternate easy options available.
- The need to develop cross party working in light of the imminent public sector funding squeeze in order to seek buy-in to more difficult decisions.
- The need to maintain the reserve levels to fund future 'one off' costs given the pressure on the General Fund budget.
- The balance between low council tax and service levels provides a sound basis for the future.
- The overall financial standing of the Council, despite the challenges ahead, is currently sound.
- The Council has a reasonable level of reserves.

10.2 Members are asked to consider the advice provided in this report, in line with statutory duties placed on Members, based upon my assessment of the robustness of the overall budget and estimates in the Medium Term Financial Strategy.

Background papers	Cabinet final budget proposals 2010/11
Accountability	Council

Cheltenham Borough Council

Cabinet - 9 February 2010

Council - 12 February 2010

General Fund Revenue and Capital - Revised Budget 2009/10 and Final Budget Proposals for 2010/11

Joint report of the Cabinet Member for Community Development and Finance and the Chief Finance Officer

1. Executive Summary and recommendation

1.1 This report summarises the revised budget for 2009/10 and the Cabinet's final budget proposals for 2010/11.

1.2 Cabinet is recommended to:

1.2.1 Note the revised budget for 2009/10 including the proposal to use any of the predicted under spend in 2009/10 to replenish the General Reserve.

1.2.2 Agree the schedule of fees and charges at Appendix H.

1.3 Agree the following for recommendation to Council.

1.3.1 Approve the final budget proposals, detailed in this report and supporting appendices, including a proposed council tax for the services provided by Cheltenham Borough Council of £187.12 for the year 2010/11 (a 2.5% increase based on a Band D property of £4.57 per year or 9p per week).

1.3.2 Approve the proposed capital programme at Appendix I and reverse the decision to earmark £300,000 to support the Pittville Park restoration scheme which was originally allocated subject to achieving HLF funding at full Council on 17th March 2008 and release the funds back into the Capital Reserve, as outlined in paragraph 13.4 – 13.5.

1.3.3 Approve the proposed Property Maintenance programme at Appendix J.

1.3.4 Note the updated Medium Term Financial Strategy at Appendix K including the impact of the 'Bridging the Gap' programme on the forecast budget gap.

1.3.5 Approve a level of supplementary estimate of £100,000 for 2010/11 as outlined in Section 22.

1.3.6 Note that given the financial outlook, the process for scrutiny of the budget is

to be reviewed in order to determine a more effective approach.

In respect of the Everyman Theatre (paragraphs 13.8 – 13.15)

1.3.7 Approve in principle the request for one off capital grant to the Everyman theatre of £250,000 funded from the Capital Reserve in 2011/12 subject to a £30,000 reduction in annual grant over a 6 year period and the granting of a new lease plus a £1m loan with interest.

1.3.8 Delegate to the Chief Finance Officer, in consultation with the Cabinet Member for Community Development and Finance, the authorisation of the loan subject to ensuring that the theatre can demonstrate a robust business case for repaying the loan.

1.3.9 Subject to the approval of the above, agree not to recover the under paid rent under the terms of the existing lease, over the past 6 years, totalling £120,000 (See paragraph 13.13).

1.4 Summary of implications

1.4.1 Financial	As contained in the report and appendices. **Contact officer: Mark Sheldon.** **E-mail: *mark.sheldon@cheltenham.gov.uk*** **Tel no: 01242 264123**

1.4.2 Legal

The budget setting process must follow the Council's Budget and Policy Framework Rules.

With regard to the Everyman Theatre, detailed consideration has been given to whether the package of support is capable of constituting State Aid and thereby incompatible with the internal market under the Treaty on the Functioning of the European Union in particular whether the transactions and assistance proposed distort competition or have an effect on trade between Member States. Having considered carefully the Treaty requirements and sought advice from the Department of Business, Innovation and Skills, Members are advised that there are sound grounds for regarding the aid and support by the Council to the activities of the Everyman Theatre as not affecting inter State trade and unlikely to distort competition and, therefore, do not constitute State Aid.

In relation to Glitnir Bank, if the current mediation process being undertaken on behalf of the affected councils is not successful then it may be necessary for the Council to join in a group legal action for recovery of the monies owing to it.

Contact officer: Peter Lewis

E-mail: peter.lewis@tewkesbury.gov.uk

Tel no: 01684 272012

1.4.3 Human Resources

In the spirit of building on our positive industrial relations environment, the recognised trade unions were briefed on the budget proposals at a meeting on 9th December 2009.

The final budget proposals detail the savings generated from a number of restructures that have already taken place this year. Further potential savings are predicted to be achieved following restructures within the Wellbeing and Culture Division. The exact HR implications arising from the proposed restructures are yet to be determined. Dialogue with the recognised trade unions will continue in order to ensure that the potential impact on employees are kept to a minimum and in doing so help to avoid the need for any compulsory redundancies.

On going, it is important that capacity is carefully monitored and managed in respect of any reduced income streams.

The budget proposals include the following implications for staff:

2 = retirement
11.4 = deletion of vacant posts
2 = compulsory redundancies
3.5 = creation of shared services/shared roles

Total = 18.9 FTE

Contact officer: Julie McCarthy

E-mail: julie.mccarthy@cheltenham.gov.uk

Tel no: 01242 264355

1.4.4 Equal opportunities, social justice and anti-poverty

None as a direct result of this report.

1.4.5 Environmental

The budget contains a number of proposals for improving the local environment, as set out in this report.

1.5 Links to Business Plan and Corporate Objectives

1.5.1 The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.

1.6 Statement on Risk

1.6.1 The Council, as part of its work on corporate governance, has a corporate risk management strategy and corporate risk register, which highlights key risks to the organisation in achieving business objectives. The high level risks have been reviewed in preparing the interim budget and will be reviewed by the Corporate Governance Group and audit committee.

1.6.2 A risk assessment of the final budget proposals is contained in Appendix L.

2. Introduction

2.1 In accordance with the Council's Budget and Policy Framework Rules, which forms part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on the proposals for a period of not less than four weeks before making firm proposals to Council in February 2010. This report sets out the final budget proposals for 2010/11.

3. Background

3.1 Following consultation on the interim budget proposals, the Cabinet is required to draw up its firm budget proposals, having regard to the responses it has received during the consultation period. this report reflects the Cabinet's response to such comments.

3.2 For 2010/11, the Government expects the average council tax increase to be substantially below 5%.

4. Budget Consultation

4.1 The consultation period took place between 16th December 2009 and 26th January 2010. Consultation with the trade unions commenced in the late summer and consultation with the employees affected is ongoing.

4.2 During the consultation period, interested parties were invited to provide feedback on the initial budget proposals including groups, businesses, tenants, residents, staff, trade unions and overview and scrutiny committees. Presentations were made to key business groups as part of the consultation process.

4.3 A summary of the budget consultation responses and the Cabinet's responses, in arriving at the final budget proposals, are contained in Appendix M.

5. 2009/10 Revised Budget

5.1 Budgets for 2009/10 have been revised to reflect savings in employee cost budgets as a result of savings due to staff turnover, the pay award for 2009/10 which was below the level budgeted and the additional cost of single status on the base budget, vacant posts, reduced income and operational savings.

5.2 The Cabinet propose to recommend to Council in June 2010 that the projected underspend for 2009/10 is used to re-imburse the General Reserve which has been used to fund the 'one off' staffing costs associated with the 2010/11 budget proposals. The revised budget reflects this proposal.

6. 2010/11 Finance Settlement / Planning Delivery Grant / Concessionary fares grant / Local Authority Business Growth Incentive (LABGI) / Flood grant

6.1 The Government's comprehensive spending review (CSR07) in 2007 determined the level of funding for the whole of the public sector for the period 2008/09, 2009/10 and 2010/11. The following table summarises the final figures for the level of Government support to the Council notified on 20th January 2010, in line with the CSR07 figures.

	2009/10 £m	2010/11 £m
Revenue Support Grant	1.646m	1.118m
Cheltenham's share of Redistributed Business Rates	7.129m	7.701m
Formula Grant	8.775m	8.819m
Actual cash increase over previous year	0.043m	0.044m

6.2 The level of government support, based upon a 'like for like' comparison will increase by £43,875 or 0.5% in 2010/11 (a 2% increase over the CSR07 3 year period 2008/09 – 2010/11). The increases in Government support do not keep pace with pay and price inflation (e.g. fuel and utilities), pension fund pressures or provide full recognition of the costs imposed by new legislation which has added in excess of £1m to the 2010/11 budget therefore, this represents a real terms decrease in funding.

6.3 Housing and Planning Delivery Grant (HPDG): The Council's planning functions are facing exceptional pressures as a result of changes to the national and local planning framework, demands for greater transparency, public involvement, cross-boundary working and significant proposed growth at north-west and south Cheltenham. In recognition of these increased demands, the government introduced a performance-related incentive scheme known as Housing and Planning Delivery Grant (HPDG). The Council's most recent allocation of HPDG is £485,000 and it is recommended that this should continue to be used to support planning services which generate the performance giving rise to the grant allocations. Expenditure commitments on projects and staff have been reduced, but are still significant (five employees are currently supported via HPDG) meaning that the current HPDG cash reserve is fully committed. Future allocations of HPDG (including that relating to the latest allocation) will continue to link closely to the Council's performance in progressing the Local Development Scheme and in helping achieve targets for delivering new housing. There remains some concern that the economic downturn could impact on future HPDG allocations, but the government recognises this risk and the allocation mechanism has been revised accordingly. Given the allocation of HPDG for 2010/11, work will be needed to identify how best to allocate resources to maximise planning and HPDG performance in future years, having regard to the staffing structure and strategic evidence base required.

6.4 Local Authority Business Growth Incentive (LABGI): The Government has reviewed the LABGI scheme and it is unlikely that the Council will receive anything like the amounts previously received and therefore no assumptions have been made about what the Council may receive in future in preparing the final budget proposals.

However, the budget proposals do include proposals for the use of a previous unspent LABGI award of £25,000 plus the sum received in 2009/10 of £55,000, a total of £80,000 (see Appendix B)

6.5 Concessionary Fares: The finance settlement includes separate grant funding for the introduction of national concessionary fares for the over 60's of £552k. The Department for Transport (DfT) has recognised that some councils are under funded and has now notified the council that it may receive a further £90,000 in 2010/11. The DfT also undertook a consultation exercise with a deadline of 31st December 2009 to which the Council made a formal response seeking further funding for 2010/11 and in which the Council also highlighted the overall local underfunding of the current scheme.

6.6 Flood Defence Grant in Aid: The Council has received notification that it will receive the following one off funding from the national allocation of flood defence grant.

- Warden Hill Flood Relief Works - £520,000 in 2010/11, £15,000 in 2011/12
- Hearne Brook catchment area study – £150,000 in 2014/15

7. The Cabinet's final budget proposals for 2010/11.

7.1 In preparing the final budget proposals, the Cabinet have undertaken the following:

- Prepared a standstill budget projection under a general philosophy of no growth in levels of service. Inflation for contractual and health and safety purposes has been allowed at an appropriate inflation rate where proven.

- The general rate of inflation remains at historically low levels. The September 2009 RPI is 1.3% and CPI rate of 1.1% but December rates have increased i.e. RPI is 2.7% and CPI rate of 1.9%. Despite inflation rates increasing, general inflation has not been allowed for but given the potential of there being no pay award, there could be a saving on pay which could offset the impact of any sustained general inflationary pressure on budgets in 2010/11.

- Provided for pay inflation for 2010/11 at 1%. Given the employers response to the request for a pay award i.e. that no pay ward can be afforded, there may be a saving on the pay bill of £141,400 during the year. Given the uncertainty over the outcome of the pay negotiations the budget has not been revised downward at this stage. This prudent approach will cushion the Council's budget against the continued impact of the recession and Icelandic banks without putting further pressure on the General Reserve. Should a 0% pay award materialise, this will be factored in at the revised budget stage.

- Based income budgets upon an average increase in fees and charges of 2.5%. Price increases above this figure have been separately identified in Appendix C. A full schedule of fees and charges to be approved by Cabinet under, its constitutional powers, are listed fully in Appendix H.

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

- Identified savings and additional income at Appendix C required in order to bridge the funding gap and proposals for service growth. The three year cumulative efficiency target (NI179) for 2010/11 is £3,095,000 which represents cumulatively 10.3% of our baseline expenditure as at 2007/08. The annual NI179 efficiency target for 2010/11 is £1,262,000. Appendix C identifies savings and additional income streams which qualify against the target with an asterisk. The total of these allowable efficiency gains is £775,600. In addition, each year the Council prepares a standstill budget and does not inflate direct operational costs. The allowable efficiency saving from this source, identified as 'Withstanding the impact of Inflation,' equates to £345,700. The combined efficiency savings from these two sources amounts to £1,121,300. This leaves a shortfall of £140,700 against the required efficiency target of £1,262,000. However, if there were a pay freeze in 2010/11, this would deliver a further £141,400 of efficiency savings. The combined efficiency savings would therefore be £1,262,700 which would meet the target requirement of £1,262,000 for 2010/11.

- Prepared the schedule of fees and charges for approval by Cabinet at Appendix H, the budgetary implications of which are included within the revenue estimates for approval by Council.

7.2 In making decisions about the budget and level of council tax, the Cabinet has borne in mind that every 1% increase in council tax generates additional revenue to fund services of around £77,000. However, the Cabinet is also acutely aware that, given the present state of the economy, many council taxpayers are struggling financially. This strengthens its previously stated resolve to keep the council tax increase for 2010/11 to a modest and affordable level.

7.3 The Council, in response to the current economic climate, increased the General Reserve in April 2009 by £1.1m to support the further impact of the recession on the Council's budgets. The economic downturn continues to impact on many council run services e.g. the demand for housing benefit and council tax support is increasing, income levels for many of its service areas remains suppressed. In addition, the bank base rate cut to 0.5% has resulted in a dramatic and sustained reduction in the investment interest earned by the council which has impacted on the 'bottom line' net cost of services. However, despite these continued trends the overall budget does not need to use the General Reserve to maintain services into 2010/11.

7.4 As outlined above, the 2010/11 finance settlement includes separate grant funding for the introduction of ***national*** concessionary fares for the over 60's and disabled, of £552,000 for 2010/11. The Council, along with the other councils in Gloucestershire, are in the process of settling a long running dispute over the reimbursement rate for concessionary fares which results in an increase in the costs of the scheme by some £440,000 per annum. This increases the total cost of concessionary fares to almost £2.2m per annum and the cost of the introduction of the national scheme to around £1m per annum, the shortfall in government funding of around £800,000 is one of the major contributors to the increased funding gap compared to the February 2009 estimate.

7.5 The Cabinet is also acutely aware that, in the present state of the economy, many council taxpayers are struggling financially. This strengthens the Cabinet's resolve to close the budget gap and keep the council tax increase for 2010/11 to a modest and affordable level.

7.6 The main thrust of the 2010/11 budget is for the Council to respond to the current economic crisis to play its part in helping the country manage its way out of recession into economic recovery. The key aims in developing an approach to the budget is to:

- Protect frontline services, as far as possible

- Develop longer term plans for efficiencies over the period of the MTFS including increasing emphasis on shared services and a new approach to commissioning services.

7.7 The financial crisis will inevitably be a key determinate in influencing any new Governments strategic response, and already there are indications that there will be a freeze on the pay of local government employees. Moreover, it is clear that everyone will be affected by public expenditure reductions, despite attempts to protect the most vulnerable.

7.8 The Cabinet believes that in making the decisions to balance the budget and plan for the future, there should be open discussion and transparency, and has chosen to make clear which officer recommendations have been accepted and which have not been in a new format that is easier to understand both in terms of the individual decisions, their impact on the budget gap and the impact on the MTFS.

7.9 In the coming period of uncertainty it will be necessary for the Council to carefully consider the financial implications of any schemes it embarks on and consequently it needs to bear in mind bolstering its reserves.

7.10 Following the consultation period , a number of changes have been made to the budget to reflect further consideration of the proposals and their impact on the organisation which are documented in the supporting appendices to the report and summarised as follows:

Summary of changes to Interim Budget proposals	£
Defer proposal to reduce the frequency of building control inspections to a statutory level of inspection (Interim budget proposals, Appendix C – G5)	40,000
Additional charge to the HRA across the ‘ring fence’ for Housing Forecourts contract	(22,500)
Savings target for Housing forecourts contract budget	(5,000)
Delete contribution to General Reserve – (Interim budget, Appendix G) adjusted for central admin outcome	(12,500)
Net impact on General fund Budget for 2010/11	nil

7.11 The proposal to reduce the inspection frequency for building control requires further consideration as a result of the shared service with Tewkesbury Borough Council which has yet to be concluded. As such Officers are not confident that this can be delivered as was originally proposed and, as such, has been deferred pending further investigation.

7.12 The additional costs of the housing forecourt contract in 2010/11 resulting from an increase in payroll costs arising from single status needs to be passed onto the HRA in order to preserve the principle of the ‘ring fencing’ of the Housing Revenue Account. Some of the additional cost will be met from savings is the budget for the contract for which a target has now been set for 2010/11 at £5,000. These changes reduce the net cost the General Fund but the charge to the HRA has to be passed onto tenants as an increase in the service charge. The separate report on the HRA provides more detail.

7.13 The interim budget included a net contribution to the General Reserve of c£5,000 which increased at final budget stage as a result of central administration allocations across the HRA ‘ring fence’ to c£15,000. This has been used to offset the above changes.

8. Service growth

8.1 The Cabinet’s initial approach was that, given the difficult financial situation, there should be no growth in services which has an impact on revenue expenditure except where there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The growth identified in the budget proposals meets these criteria and reflect the need to invest in business processes and schemes which support the BtG programme. Proposals for growth are included in Appendix B

9. Treasury Management

9.1 Appendix F summarises the budget assumptions for treasury management activity taking into account the following changes, considered by the Treasury Management Panel, at its meetings on 23rd November 2009 and 28th January 2010.

Budgeting assumptions

9.2 The Council has been affected by the collapse of Icelandic Banks in which it deposited a total of £11m on fixed term interest rates in 2006. Additionally interest rates are at an all-time low, with the base rate falling to 0.5% in 2009. Interest rates are forecast to remain at this level for some time yet and are not predicted to rise until late 2010.

9.3 In accordance with the 2009/10 Treasury Management Strategy which was approved at Council on 13th February 2009, maturing investments have been used to reduce debt which has resulted in reducing debt costs. This has been the effect of reducing the Council’s debt levels hence borrowing costs are expected to reduce by a further £294,400. This has removed some of the exposure of reducing interest rates on investment income. Moving forward, if the market and PWLB conditions are right, it is still proposed that the Council will use maturing investments to reduce the overall debt levels of the Council at the earliest opportunity, assuming that the Council will not have to pay significant premiums as a result.

9.4 However, investment interest is estimated to fall by £580,000 to around £243,000 for 2010/11 compared to 2009/10 as a result of the unprecedented and sustained low interest rates. This is significantly less than the investment income levels of around £1.5m being achieved in 2008/09.

9.5 As a result of reducing both borrowing and lending, the net impact on the 2010/11 is a reduction in net treasury management income of £293,600 (Appendix F).

Icelandic banks

9.6 The Council has been actively pursuing the recovery of its deposits in 3 Icelandic banks, namely Kaupthing Singer & Friedlander, Glitnir and Landsbanki. At the time of preparing the interim budget proposals it was assumed, based upon external advice that councils were likley to be classed as preferential depositors. This could result in a total potential loss of £1.5m based on recovering 50% from Kaupthing, Singer & Friedlander; 83% from Landsbanki and 100% from Glitnir. As such, the Council made a capitalisation direction application to cover this amount in order to spread the cost over twenty years at a cost of £75,000 per annum which was built into the interim budget proposals for 2010/11.

9.7 However, in December 2009, the winding up board (wub) of Glitnir bank made a surprising announcement that it would treat local authority deposits the same as other depositors rather then give them preferential depositor status. The LGA are actively working with the 51 councils with deposits in Glitnir bank and are determined to challenge this decision using external legal support. The wub treatment of council deposits is totally opposite to the decision made by the wub of Llandsbanki bank which gave UK councils priority depositor status. The change in status would mean that the Council would recover in the region of 25-30% rather than the 100% from Glitnir that would be recovered with priority depositor status. Given the uncertainty over the position, an application for an increased level of capitalisation direction at £4.4m was submitted in December 2009 as a precautionary measure.

9.8 Should this worse case scenario materialise, then the Council would need to write off £221,500 over 20 years, an additional £146,500 over and above the £75,000 already budgeted for in 2010/11. For 2010/11, it is proposed that the £90,000 additional concessionary fares grant should be used to partially offset this, leaving £56,500 to be financed from the General Reserve ***if necessary***. Given the uncertainty surrounding the outcome, this has not been factored into the final budget proposals. No accrued interest on these deposits has been budgeted for in 2010/11. The updated MTFS assumes the write off of the larger sum, assuming a worse case scenario i.e. that councils are unsuccessful in their challenge of the Glitnir bank decision.

9.9 The process of recovery may result in legal proceedings being commenced through the Icelandic Courts. Should this be needed, the affected 51 councils have agreed to share the costs of a joint legal case. The total costs of such an action have yet to be confirmed but it is estimated that the Council's share could be in the order of £10-20k. It is currently proposed that any such costs would be funded from the budgets which support the treasury management activity (Appendix F). Any such issue of proceedings would be subject to Member approval following consideration of a report from the Chief Finance Officer and Borough Solicitor.

10. Single Status

10.1 In 1997, national agreement was reached between the National Employers and recognised trade unions upon the need for all local authorities to move towards the harmonisation of terms and conditions of employment of the former manual workers, and former white collar workers. This harmonisation process was also intended to support the principle of ensuring equal pay for equal work for all employees. The 1997 Agreement (more commonly referred to as 'Single Status') was further strengthened by the 2004 nationally negotiated pay award which represented a 'package' of change. One element of that package was that all local authorities should have completed their local pay reviews by April 2007.

10.2 The single status package was agreed locally in principle in February 2008, subject to national union approval. Costs for the package were worked out based on job evaluating roles, devising a new 11-grade grading structure together with a revised set of terms and conditions, and making comparisons with the current position. A two and a half year pay-protection arrangement was also negotiated to cushion the effects of implementation on employees likely to be adversely affected. Successive Cabinet's have taken the view that this should be achieved on a cost neutral basis in the long term but recognised that there will be short and medium term costs which needed to be budgeted for (i.e. cost of protection, support costs to help manage implementation and appeals).

10.3 The Council had already set aside £957,000 for the transitional cost of single status. The Cabinet are not proposing that the Council should set aside any additional funds for this purpose at this stage. Equal pay issues could be raised at anytime irrespective of single status, and historic equal pay claims remains a significant risk to the Council.

10.4 The base budget now includes the cost of the new pay structure based on the conclusion of the appeals process. The implications of which are that, since less staff face a reduction in pay there are less staff requiring salary protection resulting in the need for a lesser sum to fund the transitional costs. As such the balance of the reserve has been used to support the additional cost of a net increase in the salary budget in 2009/10. The on-going increase to the pay bill has been built into the base budget estimated for 2010/11. The additional cost as a result of concluding all job evaluation appeals is £283k which, when offset by the saving on the 2009/10 pay award, leaves additional costs of £81k to be funded in 2009/10.

10.5 There is a risk of historic equal pay claims as a result of single status implementation. The window for lodging any Equal Pay claims is from 11th September 2009 to 10th March 2010. A full financial impact assessment will be completed once at that date, as we will then be able to quantify the potential financial impact of any claims received.

11. Medium Term Financial Strategy (MTFS)

11.1 Looking ahead, the impact of the recession of reduced revenues to the treasury (including company and personal tax, stamp duty and VAT) coupled with the cost of bailing out the banking sector has increased the level of public borrowing to record levels. The major political parties have expressed a desire to bring the level of public debt under control through a tightening of public sector finances and, as such, the future level of grant support is likely to be reduced significantly. Although not yet confirmed, politicians and commentators have suggested that the public sector may see a squeeze in funding for at least the period of the next spending review (2011/12 – 2013/14) in the region of 7% - 20%.

11.2 The MTFS approved in February 2009 has been updated to reflect the latest estimates of the implications of the chancellor's pre-budget report and assumes a 15% reduction in the level of government support as a result of a public sector spending squeeze. It also includes the Council's strategy for closing the gap and makes further projections of the impact of this strategy on the gap. The updated MTFS is attached at Appendix K and assumes a worst case scenario.

12. Pensions

12.1 The Council's pension fund was subject to triennial revaluation by the pension fund actuary in 2007/08 which resulted in an increase in the contribution rate to 24.96% with effect from 1st April 2008.

12.2 The Council receives an annual report which projects the pension fund position forward taking into account changes in both member profile and performance of the fund. The latest report, which provided a position statement to August 2009, suggested that due to the significant fall in the stock markets and the expectation of increasing inflation, the funding level has dropped from an estimated 75.3% at 20/3/07 to 53.4% at 28/8/09.

12.3 If this situation does not recover, this could result in a larger deficit and a significant increase in contribution rates at the next triennial revaluation. The actuary is conscious of the impact of these potential increases on council tax and may consider moving to a higher rate by capping increases at 1% per annum over a longer period of increase but has yet to determine the longer term implications of this on the fund. The Council is already assuming an increase in contributions to 2% per annum over a 3 year period from 1/4/11 i.e. 6% overall. This position will be re-visited as guidance on options becomes clearer.

13. Capital and Property Maintenance Programmes

13.1 The proposed capital programme for the period 2010/11 to 2015/16 is at Appendix I.

13.2 The Section 151 Officer has raised the issue of the long term financing of both the Council's capital programme and 20 year maintenance programme on a number of occasions. The work to update the Council's Asset Management Plan will provide a strategic view in respect of the long term aspirations for the Council's property portfolio, supporting the priorities identified in the Council's Business Plan. This work should identify additional funding requirements over the coming years and may consider alternative forms of financing, including prudential borrowing.

Regent Arcade negotiations

13.3 The Council has been negotiating the potential sale of the Council's interest in the Regent Arcade in order to release pump priming for civic pride. However, these negotiations are unlikely to result in a sale at this stage and therefore the Council is now faced with an exposure to its share of the costs of the refurbishment of the arcade, circa £350,000 to £500,000. The Council, as a priority, must budget for this ***potential*** commitment and the Cabinet has built this into its final budget proposals.

Parks and Gardens capital proposals

13.4 In October 2009, the Cabinet withdrew a report to the Council which made recommendations to the Council to re-allocate £300,000 of the Capital Reserve which the Council had previously earmarked towards supporting the Heritage Lottery bid for Pittville Park to invest in other parks.

13.5 However, in light of the rejection of the lottery bid and in view of the commitment to Regent Arcade, this now has to be re-considered consistent with the resolution agreed at Council on 17th March 2008. The money set aside for Pittville is now needed to fund the liability toward the Arcade and the Cabinet is recommending that the decision to ring fence the money for Pittville Park be reversed.

Civic Pride

13.6 Given the current position with Regent Arcade, funding of the next stages of civic pride has also been revisited. In order to progress plans, the Council needs to fund the delivery vehicle, undertake site investigation and preparation work in order to present the development sites to the market.

13.7 The Council has now secured funding from the Homes and Communities Agency, South West Regional Development Agency and Gloucestershire County Council towards funding the delivery vehicle and transport related costs. A projection of the Council's own civic pride reserve, including these contributions and estimated costs has been made which would indicate that there is sufficient funding to cover costs in 2010/11 but that an additional c£110,000 may be required for 2011/12. There is the potential for a future capital receipt to be used to finance this, including Regent Arcade, sale of Midwinter allotments or other assets and although it is flagged up for future consideration, no provision is made within the final budget proposals to finance this.

Everyman Theatre

13.8 The Council received a request from the Everyman Theatre, which it owns, for financial support towards its ambitious plans for the refurbishment of the theatre. The theatre company have asked the Council for a one off grant support of £250,000 and an interest free loan of £1m over 25 years.

13.9 Given the financial outlook, the Cabinet are unable to offer an interest free loan but are recommending that the Council approve a £1m loan (with interest) plus a grant of £250,000 in 2011/12 in time for the commencement of the refurbishment works.

13.10 The Cabinet have taken the opportunity with officers to review the current lease and wish to deal with some of its anomalies and are proposing that the grant is conditional on the following:

- granting of a new lease for a term of 50 years.
- move to a full repairing lease which transfer annual maintenance costs of £15,000 to the theatre,
- transfer of the engineering insurance to the theatre at an annual cost of c£3,000 (currently organised by the council but recoverable under the existing lease)
- move to a market rent for the theatre, calculated at £72,750 per annum
- reduction in grant of £30,000 (£5,000 per annum incrementally from 2011/12 over the period 2011/12 to 2016/17
- success in achieving support from the Heritage Lottery Fund for the residue of the works
- a service level agreement
- production of a robust business plan

13.11 It is proposed that the annual grant is increased in 2010/11 to £225,450 to offset the above additional costs / rent being transferred to theatre (currently estimated at £76,650) so that neither the theatre nor the Council are any worse off.

13.12 The theatre has given an initial response which is broadly supportive of the proposal although have made further requests of the Council in respect of specific elements of it. The Council is still in negotiations with the theatre in respect of the proposals.

13.13 In reviewing the lease, the Council established that the conditions of the current lease were not being adhered to and the Council had been under paid rent over the past 6 years totalling £120,000. The Cabinet, in proposing the terms of the new lease are recommending that Council do not seek to recover this sum from the theatre.

13.14 The Cabinet acknowledges that this is a very substantial commitment that may be controversial, and has taken it for the following reasons:

- The theatre is not only a Grade 2 listed building but unique in being the earliest surviving example of the work of the renowned theatre architect Frank Matcham, and is of national importance.
- It is an important part of the cultural infrastructure of the town which has a significant impact on the early night-time economy and on the attraction of the town centre, and on the whole of the town through the outreach work it performs.
- Unless this decision is taken now there is a fear that the opportunity will be missed given the difficult times ahead and the scarcity of capital resources.
- It provides an opportunity to reduce longer term funding for the Theatre by enabling it to become a more attractive venue with a more resilient business case for its long term survival.

13.15 The Cabinet are proposing that the package of support to the Everyman theatre is approved subject to a robust business case and are recommending to the Council to approve the delegation of the decision to approve the loan to the Chief Finance Officer. The business case must demonstrate that the theatre can repay the loan with interest, in full, so that there is no cost to the council tax payer.

14. Supplementary Estimates

14.1 Under financial rule 11.3, 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 2010/11 to be met from the General Reserve, the same level as in 2009/10.

15. Budget Presentation

15.1 The budget presented in this report at Appendix A includes a projection of the base budget i.e. the cost of providing the same level of services in 2010/11 as in 2009/10 taking into account inflation and pay awards including some savings and additional income in the base budget. In an attempt to concentrate attention on the policy changes to the budget, the detailed projection of base budgets for existing service levels are not included as supporting paperwork to this report but these formed part of the Members' budget packs.

16. Budget Scrutiny process

16.1 Given the financial outlook and the importance of ensuring that Members are given adequate opportunity to scrutinise and influence the budget decisions, the Cabinet are keen to explore whether there is a more effective way of undertaking the budget scrutiny process. Many alternative methods have been tried in the past but it is important to re-consider the current approach. One option may be a budget scrutiny working party drawn from each overview and scrutiny committee or a continual process which takes place during the course of the existing scrutiny committee cycle of meetings rather than once the budget proposals have been published.

16.2 Ideas for progressing this will be canvassed over the coming months. Given the financial outlook, scrutiny of budgets is likely to become more important and as such, Members are asked to approve that the process for scrutiny of the budget is reviewed in order to determine a more effective approach

17. Alternative Budget Proposals

17.1 It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Chief Finance Officer and / or the appropriate Strategic Director / Chief Executive (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed changes are properly identified.

17.2 Given the fine political balance of the Council and the possibility that significant amendments to the budget may be carried, it is very important that there is time for members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

18. Final Budget Proposals and Council Approval

18.1 The Cabinet have 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.

18.2 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.

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

18.4 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.

19. Conclusions

19.1 As outlined throughout the report, the economic situation is having a major impact on the budget setting process. The budget proposals for 2010/11 have been prepared in a climate of uncertainty and have been severely impacted upon by the continued economic downturn. Low interest rates coupled with suppressed income levels have presented a huge challenge for both Officers and Members in preparing a budget for the year ahead.

19.2 Future funding gaps, coupled with the uncertainty of the implications for local government of a public sector spending squeeze point to a challenging period for the Council.

19.3 The Council continues to find itself under pressure in the following key areas:

- The cost implications of providing a wide range of services, including many discretionary services.
- The impact of the performance of the pension fund, due to falling stock markets, on employment costs.
- The cost of maintaining a large property portfolio.
- The impact of low interest rates on investment income.
- The potential impact of the Icelandic banking situation.
- The impact of sustained low income levels.

19.4 Given the current concerns about council tax levels, it is important Members ensure that in setting the 2010/11 budget the following are considered:

- it achieves a proper balance between increasing spending, efficiency savings, council tax and holding reasonable balances and reserves;
- it can demonstrate public support for local spending decisions; and
- it receives the support of the majority of Members.

19.5 As part of the Council's medium term financial planning, it is important to continue to prepare for a number of challenges, including the identification of savings required for future years to bridge future funding gaps, maintaining the Council's substantial asset portfolio, meeting new government targets and local customer demand for improved services.

Appendices	A. Net General Fund Budget 2009/10 Revised and 2010/11
	B. Growth Bids
	C. Final Budget Proposals 2010/11 – Impact on MTFS
	D. Bridging the Gap – Potential Future Options for Cross Party Consideration.
	E. Capital Charges
	F. Interest and Investment Income
	G. Detailed Reserve Movements
	H. Schedule of fees and changes
	I. General Fund Capital Programme

	J. Programme Maintenance
	K. Medium Term Financial Strategy 2010/11 to 2015/16
	L. Risk Assessment of Budget Proposals 2010/11
	M. Cllr. John Webster: Response to Budget Consultation
Background papers	Provisional Finance settlement 2010/11
Contact Officer	Mark Sheldon, Chief Finance Officer
	Tel. 01242 264123;
	e-mail address mark.sheldon@cheltenham.gov.uk
Accountability	John Webster, Cabinet Member for Community Development and Finance.
	All Overview and Scrutiny Committees.

NET GENERAL FUND BUDGET 2009/10 REVISED AND 2010/11

GROUP **Projected cost of 'standstill' level of service**	**2009/10 ORIGINAL £**	**2009/10 REVISED £**	**2010/11 ORIGINAL £**
Chief Executives	2,302,100	2,450,700	2,232,650
Corporate	3,047,050	3,292,500	3,374,500
Environment	6,081,900	6,583,900	6,401,400
Social & Community	6,255,400	7,585,700	6,478,900
Programmed Maintenance (Revenue)	878,600	741,850	811,000
Business Change	72,500	339,500	17,000
Single Status	405,000		
Savings from procurement	(80,000)		
Savings from vacancies	(400,000)	(60,000)	(400,000)
Bad debt provision	45,000	40,000	40,000
	18,607,550	20,974,150	18,955,450
Capital Charges - Appendix E	(823,800)	(1,145,000)	(757,600)
Interest and Investment Income - Appendix F	0	147,400	293,600
Use of balances and reserves - Appendix G	(1,322,797)	(3,437,900)	(634,853)
Proposed Growth recurring - Appendix B			39,300
Proposed Growth one-off - Appendix B			22,500
Savings / Additional income identified - Appendix C			(1,159,000)
NET BUDGET	**16,460,953**	**16,538,650**	**16,759,397**
Deduct:			
Area Based Grant		(22,500)	(28,500)
LABGI Funding		(55,197)	
Revenue Support Grant	(1,645,562)	(1,645,562)	(1,118,206)
National Non-Domestic Rate	(7,129,422)	(7,129,422)	(7,700,653)
Collection Fund Contribution	(33,500)	(33,500)	(33,500)
	(8,808,484)	**(8,886,181)**	**(8,880,859)**
NET SPEND FUNDED BY TAX	**7,652,469**	**7,652,469**	**7,878,538**
Band 'D' Tax	£182.56	£182.56	£187.12
Increase per annum			£4.57
Increase per week			£0.09
% Rise			2.5%
INCREASE - 2009/10 base v 2010/11 budget			**226,069**
Gross Collectable Tax Base	42,341.60	42,341.60	42,528.60
Collection Rate %	99.00%	99.00%	99.00%
Net tax base	41,918.18	41,918.18	42,103.31
Rounded tax base for calculation purposes	41,918.20	41,918.20	42,103.30

Division	Project Name	Description	Revenue Costs			Income/savings/match funding			Net revenue requirement			Capital Costs		
			2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011//2	2012/13
			£	£	£	£	£	£	£	£	£	£	£	£
SUPPORTED GROWTH (RECURRING)														
Organisation Development Programme	Storage Area Network (SAN)	The Council currently stores much of it's important electronic data on a purpose bought Storage Area Network (SAN) equipment. This is vital for storing the Council's data in a secure, expandable and robust environment. A SAN is an industry proven solution for providing the most efficient way of storing data within an enterprise infrastructure such as the one supported within CBC network.	6,300	6,300	6,300							155,000		
Organisation Development Programme	Working Flexibly - Phase 2	Deliver council services at a time and place which suit the customer. Implementation of Citrix environment to deliver business applications to the home / remote users desktop.										49,000		
Organisation Development Programme	Additional Internet Connection	Delivery of a second internet connection to provide greater capacity and additional resilence for customers accessing the Council's online services and to enhance remote, mobile and home working.	17,000	17,000	17,000									
Operations	Invest to save scheme - investment in the West Burial Chapel	Alterations to facilitate an increased throughput of cremations, resulting in a more stream-lined service for the bereaved families.	16,000	16,000	16,000	(86,000)	(86,000)	(86,000)	(70,000)	(70,000)	(70,000)	110,000		
			39,300	**39,300**	**39,300**	**(86,000)**	**(86,000)**	**(86,000)**	**(70,000)**	**(70,000)**	**(70,000)**	**314,000**	**-**	**-**
SUPPORTED GROWTH (FUNDED FROM ONE OFF SOURCES) - AREA BASED GRANT														
Organisation Development Programme	Additional Internet Connection	Delivery of a second internet connection to provide greater capacity and additional resilence for customers accessing the Council's online services and to enhance remote, mobile and home working.	4,000											
Operations	Additional bins for Town Centre	To reduce littering	6,000											
Organisation Development Programme	Cheltenham Festivals	Contributiion of 50% of the pump priming for Cheltenham Festivals to invest in a stand alone finance system and payroll and payments processing.	12,500											
			22,500	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Division	Project Name	Description	Revenue Costs			Income/savings/match funding			Net revenue requirement			Capital Costs		
			2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011//2	2012/13
			£	£	£	£	£	£	£	£	£	£	£	£
SUPPORTED GROWTH (FUNDED FROM ONE OFF SOURCES) - LABGI														
	Community Pride	Funding to assist parish councils and other community groups with local initiatives to improve the quality of life and the environment of Cheltenham.	40,000											
	Transition Town	Working in partnership with Vision 21 to reduce carbon footprint	10,000											
	Young Person of the Year Award		500											
			50,500	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
UNSUPPORTED GROWTH														
Built Environment	Landscape Architect	New post to support the multi-disciplinary design approach and to help deliver landscape design quality within the town in various projects such as Civic Pride; St Paul's regeneration; and advice to Gloucestershire Highways.	39,200	39,200	39,200									
			39,200	**39,200**	**39,200**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

FINAL BUDGET PROPOSALS 2010/11 - IMPACT ON MTFS

	Bridging the Gap Programme Project / Area of Activity	Proposal 2010/11 £	MTFS PERIOD Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Cumulative annual impact on MTFS 2015/16 £	One-off Costs £	FTE Losses	Service/Risk implications
	A	B	C	D	E	F	G	H	I	J	K
A	**SERVICE REVIEW & COMPARISON** **To identify potential for above inflation increases of council's current range of fees and charges, introduction of new / premium services or new / additional fees & charges, review areas of high cos and review areas of significant cost and/or performance variance.**										
	CORPORATE / CROSS CUTTING										
A1	REDUCED WORKING HOURS - Offer to staff to permanently reduce their contracted hours aimed at delivering a target permanent employee budget saving on the assumption that any potential change in service levels are acceptable.		30,000					30,000			Will need to be subject to the needs of the business and only approved if has no detrimental impact on the service. A policy and guidance will need to be written for Managers, to assist in dealing with requests from staff. Could improve staff morale through improved work-life balance. Possible impact on final salary pension entitlements for some staff, which may discourage take-up on a permanent basis. Council will need to manage expectations of reduced workload and possible reductions in output for staff affected. Also need to ensure savings not double-counted if offered as part of other savings e.g arising from shared services.
A2 *	INSURANCE RETENDER - Anticipated savings resulting from tendering exercise based upon current state of insurance market and the potential to increase the size of the council's policy excesses in order to reduce premiums.	20,000						0			The current insurance market conditions indicate that there may be a saving generated as a result of the tender and renewal of the insurance contract. This will be confirmed in January 2010, when the initial tender prices are received, in accordance with the timetable set. There is a risk that this saving may not be achieved, or that, In order to achieve this sum, the Council may need to increase the level of excesses on policies.
A3	INSURANCE BROKERS - Stop employing insurance brokers used to support the council and move towards purchase of more ad hoc advice when needed.		5,500					5,500			There would no longer be external support for ad-hoc queries. There would therefore be a reliance on the internal expertise to handle insurance matters. The current insurance officer will have the experience to deal with such issues for Cheltenham, but there is a risk that one-off, unexpected issues may occur, requiring external support.
	FEES & CHARGES - ABOVE INFLATION INCREASES IN FEES & CHARGES Resulting from benchmarking all fees and charges with other organisations / review commercial decision making										
A4	INCREASE CREMATION CHARGE ABOVE INFLATION Net additonal income from investment in the West chapel and an increase in cremation charge by 5.52% to fee of £559 (inclusive of the use of music). Key benefits include: (i) simplified pricing structure (no separate charge for organist - supplied by funeral operator in future) (ii) better use of West chapel allowing longer services (45 instead of 20 minutes) Chapel currently only used 80 times per year. (iii) reduction in parking problems (iv) reduced carbon emmissions (v) potential for reduction in fuel costs.	86,000						0	110,000		Subject to a detailed review.
A5	INCREASE CHARGE FOR COACH PARKING IN COUNCIL CAR PARKS - Increase charge from £5 per day to £15 per day (NB coaches take up 3 parking spaces)(Worcester charge £15-£20 per day) based on an average of 25 coaches per week (subject to survey)	13,000						0			Potential impact on number of tourists although, anecdotally, coach drivers consider Cheltenham coach parking charges to be cheap in comparison with other towns.

	Bridging the Gap Programme Project / Area of Activity	Proposal 2010/11 £	MTFS PERIOD Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Cumulative annual impact on MTFS 2015/16 £	One-off Costs £	FTE Losses	Service/Risk implications
	A	B	C	D	E	F	G	H	I	J	K
A6	INCREASE BUS DEPARTURES FROM ROYAL WELL COACH STATION TO COVER COSTS - Including potential to simplify pricing / charging structure	20,000						0			Subject to detailed review /consultation with bus operators.
A7	INCREASE COST OF HALL HIRE FOR WEDDINGS AT THE PITTVILLE PUMP ROOMS - Increase in cost of weddings by £225 from £1,900 to £2,125.		10,000	5,000				15,000			An increase in fees and charges in excess of inflation for weddings held at Pittville Pump Rooms would generate additional income with no service implications. Benchmarking indicates that the proposed new fees are competitive with other venues. The introduction of a new web site, as part of an invest to save initiative will also attract more bookings.
A8	REDUCE CHARITABLE CONCESSION FOR HIRE OF TOWN HALL AND PITTVILLE PUMP ROOMS - Reduction from 30% to 20%)		13,900					13,900			A discount of 30% is currently given to charities on all bookings made for the Town Hall and Pump Room venues. Additional income would be generated if this discount rate were reduced to 20%. There is a risk to the service if charities discontinue to use these venues and replacement bookings are not made.
A9	INCREASE PARKING CHARGES - Incremental increase in income over and above the 2.5 % average increase in fees and charges assumed in the base budget projections	41,200						0			Potential impact on use of car parks.
A10	INCREASE TRADE WASTE CHARGES - Above inflation increases of 6.7% to cover increased landfill tax (built into base budget)	41,400						0			Potential impact on take up of service
A11	PARKING PERMITS FOR GCHQ AT CORONATION SQUARE - Provide 60-70 spaces for GCHQ workers in form of season tickets (Monday to Friday).	24,000						0			None. Addresses the issue of parking on residential streets in the area.
A12	FREE UP CHAPEL WALK CAR PARK TO GENERATE ADDITIONAL INCOME DURING THE WEEK - All officers to use North Place / Synagogue Lane car parks	20,000						0			None. Some working time lost due to distance to North Place.
A13	COMMERCIAL APPROACH TO SUPPORTING EXTERNAL ORGANISATIONS - Recover actual administation costs of car parking income collection at Sandford Lido (subject to negotiation of existing agreement)	5,000						0			None.
A14	STAFF PARKING PERMITS / GREEN TRAVEL PLAN Introduce a charge for parking, coupled with the introduction of a green travel plan aimed at reducing employees use of the car and shift to alternative modes of transport.		10,700					10,700			Likely to reduce staff morale, especially if a significant charge or if future escalation in charge is likely. Many staff may opt out, either by not using car (which may cause service disruption if car usage essential) or by parking elsewhere (causing possible congestion). May discourage car usage in line with green agenda but if then successful income from permits would reduce and Council may have to upgrade facilities for cyclists. Would need to be applied consistently across all Council sites e.g. depot, Recreation Centre. Take-up may be reduced by more flexible (home) working, may need to introduce a daily charge. Risk that there will need to be a "buy-out" of staff benefit.
A15	CAR PARKING - WEEKEND CHARGING Charge for weekend parking in Synagogue Lane	20,000						0	6,000		None - increases the amount of central public parking

	Bridging the Gap Programme Project / Area of Activity A	Proposal 2010/11 £ B	MTFS PERIOD Estimate 2011/12 £ C	Estimate 2012/13 £ D	Estimate 2013/14 £ E	Estimate 2014/15 £ F	Estimate 2015/16 £ G	Cumulative annual impact on MTFS 2015/16 £ H	One-off Costs £ I	FTE Losses J	Service/Risk implications K
	OPERATIONS										
A16 *	REVIEW OF ARLE NURSERY WITH A VIEW TO REDUCING THE NET OPERATING COSTS - Saving generated through targeting additonal income by securing additional contract work.	20,000						0			Dependant on number of contracts secured.
A17 *	PARKS & GARDENS - (CATERING) REDUCTION IN MANAGEMENT COSTS: LOSS OF ONE POST - Saving acheived through the deletion of a post and reducing management costs.	30,000						0	Retirement of post	1.0	Continuity of service may be affected.
	HEALTH & WELLBEING										
A18 *	LEISURE @ - CUSTOMER SERVICES - REDUCTION IN COSTS DUE TO INCREASED ONLINE BOOKINGS - Saving generated through the deletion of a post	15,000	15,000					15,000		1.0	The reduction in the customer services staffing levels, possible as a result of increased on-line bookings would delete vacant hours and a vacant post from the permanent establishment, with no redundancy costs or service implications. There may be additional support required to support the ICT systems.
A19 *	TOWN HALL / PUMP ROOM - STAFFING REORGANISATION - Saving generated through the deletion of a P/T post	19,000						0		0.5	The staffing reorganisation would remove excess vacant hours from the permanent establishment, with no redundancy costs or service implications.
	DEMOCRATIC SERVICES										
A20 *	REDUCED PRINTING OF CABINET PAPERS - Restricted circulation to Cabinet and selected Members	900						0			Members will need to change their working practices and be prepared to do more work on-line. An initial email survey of members has indicated 7 members in favour and 1 Cabinet member against.
		375,500	**85,100**	**5,000**	**0**	**0**	**0**	**90,100**	**116,000**	**2.50**	

B	**ASSET MANAGEMENT** **To reduce net costs of the property portfolio by reducing operating and maintenance costs, increasing income and reducing the overall size of the asset base.**										
B1 *	SAVINGS IN COSTS RESULTING FROM DISPOSAL OF ASSETS - NNDR saving resulting from sale of Whaddon Lodge.	7,700						0			None.
B2 *	BUSINESS RATE REVALUATIONS - APPEALS - Anticipated reduced NNDR resulting from appeals against valuation of Grosvenor Terrace and Sherborne Place car parks	40,000						0			None.
B3 *	ENERGY SAVING - XMAS LIGHTS BULB REPLACEMENT - Saving generated through reduced energy costs resulting from replacement with low energy bulbs which will also help to reduce the council's carbon emissions.	5,000						0			None.
B4	APPROVAL OF GLOUCESTERSHIRE AIRPORT BUSINESS PLAN - Additional projected dividends as a result of approving business plan / facilitated borrowing	9,800	22,500	35,000	15,300	27,000		99,800			Requires both Cheltenham Borough and Gloucester City to approve the facilicated borrowing of £1.2m each for onward lending to the airport company
B5	EVERYMAN THEATRE PHASED GRANT REDUCTION - Phased reduction in grant resulting from the renegotiation of lease and support for the grant apllication of £250k towards theatre refurbishment costs and loan application for £1m (with interest) - subject to robust business plan		5,000	5,000	5,000	5,000		20,000			Viability of the theatre with reduced grant to be assessed.

	Bridging the Gap Programme Project / Area of Activity	Proposal 2010/11 £	MTFS PERIOD Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Cumulative annual impact on MTFS 2015/16 £	One-off Costs £	FTE Losses	Service/Risk implications
	A	B	C	D	E	F	G	H	I	J	K
	OPERATIONS										
B6 *	DEPOT RATIONALISATION - Operational gains created by Tewkesbury BC and a recycling operators occupancy e.g. lease income and fuel saving due to reduction in journeys to the tip.	25,000	25,000					25,000			
		87,500	**52,500**	**40,000**	**20,300**	**32,000**	**0**	**144,800**	**0**	**0.00**	
C	**Shared Services** **To maximise efficeincy opportunities and cashable savings from sharing services with other organisations.**										
	CORPORATE / CROSS CUTTING										
C1 *	SOURCING STRATEGY - REVENUES & BENEFITS - Potential shared service with neighbouring authorities or existing partnerships	40,000	66,000	30,000	20,000	4,000		120,000	238,500	2.4	1.8 FTE's - Revenues 0.6 FTE's - Benefits
C2	SOURCING STRATEGY - GO7 FINANCIAL SERVICES & HUMAN RESOURCES - Initial business case assessment of the GO7 implementation of an ERP system (Finance /HR/procurement) and the creation of centres of excellence for processing transactions (payroll, payments, invoicing) / production of basic reporting / statement of accounts, VAT , government returns etc.			12,600	118,900			131,500	242,000		Requires GO7 shared ERP/Service business case to be agreed by Council on 14 12 09. New way of working - more self service, mitigated by better systems / processes and reporting tools.
	- Savings in software licences resulting from shared ERP system			32,100				32,100			
C3 *	RELATED GO7 INITIATIVES - SHARED HR SERVICE WITH TEWKESBURY BC - Savings resulting from shared strategic support and merging of the two teams reducing down equivalent of 2FTE, with no redundancy implications.	57,200	15,500					15,500	8,000	1.0	Reduced Strategic Support at CBC. Will need to reduce down operational manager reliance on HR "hands on" support. Will need a dedicated programme to upskill managers where less direct support is provided e.g. Depot. HR resource will be needed to support ERP implementation, and other shared service and service commissioning projects during 2010/11, if reduce support too early may need to then buy this back in and may cost more. Requires Council to agree sourcing strategy at meeting on 14th Dec 09.
C4	SOURCING STRATEGY - ICT - Potential shared service with neighbouring authority		1,900	27,400	49,300	11,000		89,600	42,500		Requires Council to agree sourcing strategy at meeting on 14th Dec 09. Service implications to be assessed.
	BUILT ENVIRONMENT										
C5 *	SHARED BUILDING CONTROL WITH TEWKESBURY BC - shared service live with effect from 1st November 2009	19,000	20,000	21,000	21,000			62,900	23,000		More resiliant service
	OPERATIONS										
C6	SHARED WASTE MANAGEMENT SERVICES WITH TEWKESBURY BC - Operational efficiencies resulting from operating shared working practices with Tewkesbury BC.							0			Subject to detailed review.
C7	GLOUCESTERSHIRE WASTE MANAGEMENT PARTNERSHIP - Potential separate organsation made up of a partnership of districts and Gloucestershire County Council aimed at reducing volumes of waste, standardising services and delivering savings.							0	30,000		May require future one off funding. Savings to be delivered post 2012.
	LEGAL SERVICES										
C8 *	SHARED LEGAL SERVICES & MONITORING OFFICER WITH TEWKESBURY BC shared service live with effect from 30th November 2009	50,000						0	90,000	1.0	Requires one off funding of employee related costs
	POLICY & PEFORMANCE										

	Bridging the Gap Programme Project / Area of Activity	Proposal 2010/11 £	MTFS PERIOD Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Cumulative annual impact on MTFS 2015/16 £	One-off Costs £	FTE Losses	Service/Risk implications
	A	B	C	D	E	F	G	H	I	J	K
C9	SHARED POLICY & PERFORMANCE WORKING WITH NEIGHBOURING AUTHORITY		25,000					25,000		Unknown	Would need to find a willing partner and equitable share of resources as other councils do not have similar structures
C10	INTERNAL AUDIT PARTNERSHIP WITH COTSWOLD DC Savings resutling from approval of the busines case by both Cabinets in June 2009 and implementation of new shared service on 01/09/09.			27,300				27,300			More resiliant service
C11	SHARED STRATEGIC LAND USE Shared Strategic Land Use team		25,000					25,000	hared structure	1.0	Already sharing a managers post with TBC. This "pilot" will be reviewed and a report brought back in Autumn 2010 on whether it should be continued and what opportunities there are from creating a shared team .
	CORPORATE SERVICES										
C12 *	SHARED INSURANCE OFFICER WITH TEWKESBURY BC	10,000						0			Reduced dedicated resource / internal capacity
C13	POTENTIAL SHARED HEAD OF FINANCIAL SERVICES				25,000			25,000			Reduced dedicated resource / internal capacity
		176,200	**153,400**	**150,400**	**234,200**	**15,000**	**0**	**553,900**	**674,000**	**5.40**	
D	**SERVICE IMPROVEMENT** **To identify efficiencies by use of targeted systems thinking interventions.**										
D1	COMMERCIAL WASTE INTERVENTION - Improved commercial viability and 'profit' through reviewing service. The new service launched on 1st October 2009 and all new collections have been made within current resources due to effective targeting.							0			Decline in commercial activity further to recession - income from new contracts offset by losses.
D2 *	DEVELOPMENT CONTROL: PRE-APPLICATION INTERVENTION - Reduction in administration team by one post as a result of system thinking review.	25,000						0		1.0	Subject to admin review of working practices.
D3 *	TOURIST INFORMATION INTERVENTION - - Review resulted in reorganisation and deletion of a post following retirement of postholder.	15,000						0	No redundancy - retirement of post holder	1.0	
D4 *	REVENUES & BENEFITS INTERVENTION / POOLED SECRETARIAT - Intervention in Revenues and Benefits has resulted in release of secretarial post which has facilitated the pooling of secretarial support to Assistant Directors and the removal of a vacant post.	20,100						0	No redundancy - vacant post	1.0	
D5 *	CUSTOMER SERVICES INTERVENTION - SOURCING STRATEGY - Chief Executives customer relations merged with other customer services and transferred to Front Line Services resulting in savings from deleting a vacant post within Customer Service as part of the road map (Sourcing Strategy) proposals for that service. Investment required to finance e-transactions	14,000						0	254,000	1.0	
	HUMAN RESOURCES										
D6	LEARNING & DEVELOPMENT - STAFFING - Deletion of 0.5FTE vacant post in Learning and Organisational Development.		16,300					16,300	No redundancy costs.	0.5	More reliance will be needed on LMS system and e-learning. Will need to reduce direct delivery of ECDL and ITQ development as less capacity. If moved to reduce in 2010, would impact capaciity of L&OD manager significantly. Not wanting to do in 2010 as uncertainty about post holder return arrangements and changes to ECDL qualification structure, therefore not likely in 2010/11.

	Bridging the Gap Programme Project / Area of Activity	Proposal 2010/11 £	MTFS PERIOD Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Cumulative annual impact on MTFS 2015/16 £	One-off Costs £	FTE Losses	Service/Risk implications
	A	B	C	D	E	F	G	H	I	J	K
D7 *	PAYROLL - MOVE TO MONTHLY PAY FOR ALL EMPLOYEES Move to monthly pay for all employees with effect from 1st April 2009. Saving will result from the deletion of 0.5 FTE	13,300						0		0.5	Will need communications with employees. Union engagement plus support to employees to make the switchover.
D8 *	CORPORATE TRAINING - INCREASED USE OF LMS LEARNING GATEWAY	1,000	2,000	2,000	2,000	2,000		8,000			Need to embed use of Learning Gateway and promote use of self managed learning. Reduced direct training delivery. Will need to be supported by culture and behaviour change - to self-managed learning through use of e-technology. Will impact service ability to provide in-house support for competency development, performance management, organisation development, facilitation of events. Services would have to buy this in. The headcount calculations do no include the employees at Tewkesbury. Should the HR shared service take place, Tewkesbury will have to 'buy' in their training.
D9	HEALTH & SAFETY - STAFFING REVIEW - Propose to review service provision re requirement for two H&S officers. CIPFA benchmark data suggests organisations similar size have 1FTE rather than 2, therefore potential future savings through sharing roles.				12,100			12,100	Potential redundancy costs	0.5	There are resilience issues if move to 1 FTE, this could be potentially resolved through shared services. Tewkesbury have signalled an interest in taking on/sharing employee H&S. Use needs to be made of LMS system for self managed H&S training, cullture and behaviour issues in particular largest risk group are not PC users/office based, self managed and e-learning not suitable.
	POLICY & PEFORMANCE										
D10 *	OUTSOURCE PERFORMANCE MANAGEMENT SUPPORT SYSTEM (ESP) Saving from the deletion of a post	21,200						0	Potential redundancy costs	1.0	No dedicated performance support. Budget £10k pa for ESP support.
D11 *	POLICY & PERFORMANCE - Staffing reorganisation resulting in the deletion of a vacant post	19,000						0	No redundancy - vacant post	1.0	The restructuring of two posts, one of which has been vacant for some time, would have no service implications. The Economic Partnership would be supported through the existing Economic Development team.
		128,600	**18,300**	**2,000**	**14,100**	**2,000**	**0**	**36,400**	**254,000**	**7.5**	
E	**PROCUREMENT** **To achieve savings through more effective procurement.**										
E1 *	Annual programme target	100,000	100,000					100,000			
E2 *	Additonal target resulting from new Procurement Officer - part of the sourcing strategy funded by RIP loan of £80k	20,000	20,000	100,000				120,000			
		120,000	**120,000**	**100,000**	**0**	**0**	**0**	**220,000**	**0**	**0.0**	
F	**OTHER MAJOR PROJECTS** **To identify and deliver cashable savings and / or increased income from major projects and reviews.**										

	Bridging the Gap Programme Project / Area of Activity	Proposal 2010/11 £	MTFS PERIOD Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Cumulative annual impact on MTFS 2015/16 £	One-off Costs £	FTE Losses	Service/Risk implications
	A	B	C	D	E	F	G	H	I	J	K
	OPERATIONS										
F1 *	WASTE COLLECTION REVIEW Review and improve recycling and opportunities to change domestic waste collections to generate efficiency savings resulting in the deletion of 2 vacant posts.	30,000						0	No redundancy - vacant post	2.0	
F2 *	MANAGEMENT OF GREEN SPACES Financial gains from the review of Landscapes Services delivery created by adoption of Green Space Strategy acheived through reduced mowing standards in selective parks.	10,000						0			Perceived reduction in service resulting from move to more environmentally sustainable spaces mitigated by impoved bio- diversity.
F3	RECYCLING INCOME GENERATION Savings through re-letting of recycling contract.	40,000						0			
F4 *	ANIMAL WELFARE: REDUCED DEBT RECOVERY COST / WRITE OFF Charge for lost animals at the point of collection, removing the need to raise invoices and recover debts.	2,500						0			
	HEALTH & WELLBEING										
F5	ADVERTISING & MARKETING REVIEW Review of advertising and marketing focusing on Health, Wellbeing and Culture. Target to be established.							0			
	COMMUNITY DEVELOPMENT										
F6 *	COMMUNITY DEVELOPMENT REORGANISATION - Reorganisation of the Community Development and Housing Options Teams resulting in the potential deletion of a post.	20,000						20,000	Potential redundancy costs	1.0	
		102,500	**0**	**0**	**0**	**0**	**0**	**20,000**	**0**	**3.0**	
G	**CUTS TO SERVICE PROVISION**										
	OPERATIONS										
G1 *	REDUCTION IN GENERAL PARKS & GARDENS MAINTENANCE - e.g. painting of railings, reduced landscape enhancements etc	10,000						0			Negative response to poor visual appearance of historic formal gardens.
G2 *	REPLACE VACANT FULL TIME COMMUNITY RANGER WITH PART TIME POST	12,000						0		0.5	
G3 *	REDUCE REGENT ARCADE SECURITY & ONSITE PRESENCE AS A RESULT OF CHARGING FOR DISABLED SPACES Saving on contractor costs £30k * Addl. Income £40k	70,000						0			Cease free disabled parking at this car park
	BUILT ENVIRONMENT										
G4 *	REDUCE LEGAL BUDGET FOR PLANNING APPEALS - Cut legal costs budget used to support planning appeals process	40,000						0			Restriction in availability of funding for specialist advice to support the Council's case at planning appeals; this would compound the cut last year which deleted the planning appeals officer post. Increased risk of in-year appeals above reduced baseline.
G6	LITTER CLEARANCE - CHANGE IN SERVICE DELIVERY - Reorganisation of litter collection to provide a more responsive service across the town, enhancing the standard in difficult to keep clean areas offset by a reduction in the frequency of cyclical cleaning to once per fortnight in less problematic areas. No change is proposed to mechanical sweeping or the frequency of litter bin emptying.	18,000						0			Perceived reduction in service in some areas mitigated by improvement in service in more high profile reas.
	HEALTH & WELLBEING										

	Bridging the Gap Programme Project / Area of Activity	Proposal 2010/11 £	MTFS PERIOD Estimate 2011/12 £	MTFS PERIOD Estimate 2012/13 £	MTFS PERIOD Estimate 2013/14 £	MTFS PERIOD Estimate 2014/15 £	MTFS PERIOD Estimate 2015/16 £	Cumulative annual impact on MTFS 2015/16 £	One-off Costs £	FTE Losses	Service/Risk implications
	A	B	C	D	E	F	G	H	I	J	K
G7	DELETION OF SPORTSZONE HOLIDAY ACTIVITY PROGRAMME	5,000						0			Alternative provision possibly delivered through Sports Development team given £30k allocation LAGBI.

Ref	Bridging the Gap Programme Project / Area of Activity	Proposal 2010/11 £	MTFS PERIOD Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Cumulative annual impact on MTFS 2015/16 £	One-off Costs £	FTE Losses	Service/Risk implications
	A	B	C	D	E	F	G	H	I	J	K
	ELECTORAL REGISTRATION										
G8 *	REDUCED SIZE OF POLL CARD - Saving resulting from the removal of the postal vote application on the reverse of the poll card which reduces its size down from A4 to A5	4,000						0			Reduce our rating for national performance indicators for good practices. Increase in postage costs for sending out app forms. More phone calls into office requesting app forms during an already busy and stressful time.
	DEMOCRATIC SERVICES										
G9 *	FREEZE MEMBERS ALLOWANCES (for 5 years) - Current MTFS assumes an annual inflationery increase of c 2.5%	9,500	9,700	10,000	10,300	10,900		40,900			Members will not receive any inflationary increases but any increases in responsibilities could be reviewed and minor adjustments made to SRAs
G10 *	FREEZE MAYORAL ALLOWANCES (for 5 years) - Current MTFS assumes an annual inflationery increase of c 2.5%	200	200	300	300	300		1,100			None if members are still prepared to do the role
		168,700	**9,900**	**10,300**	**10,600**	**11,200**	**0**	**42,000**	**0**	**0.5**	
	TOTAL PROPOSALS	**1,159,000**	**439,200**	**307,700**	**279,200**	**60,200**	**0**	**1,107,200**	**1,044,000**	**18.9**	
	MTFS FUNDING GAP	**1,159,000**	**1,696,765**	**912,239**	**564,036**	**206,331**	**22,057**	**3,401,428**			
	SURPLUS (SHORTFALL)	**0**	**-1,257,565**	**-604,539**	**-284,836**	**-146,131**	**-22,057**	**-2,294,228**			

Funded by:	
Capital	110,000
Funded from 2008/09 underspend	200,000
Sourcing strategy - earmarked Gen Rsve	585,000
Balance to funded from Gen Rsve	149,000
Total One-off Costs	1,044,000

* denotes savings and additional income streams which qualify against the annual NI179 efficiency target for 2010/11

Ref	**FINAL BUDGET - NO LONGER PROPOSED**	B	C	D	E	F	G	H	I	J	K
G5	REDUCTION OF FREQUENCY IN BUILDING CONTROL INSPECTIONS TO STATUTORY LEVEL OF INSPECTION	40,000						40,000			Statutory level service only - reduced inspections and more chance that building work will not comply with the regulations; risk of fall in fee income due perception of reduced service; or, 'light touch' may be preferred by devlopers and agents and increase income. Subject to potential increased insurance liabilities / risks - to be discussed with insurers. Impact on shared service?

BRIDGING THE GAP - POTENTIAL FUTURE OPTIONS FOR CROSS PARTY CONSIDERATION

	Project / Activity / Service Area A	Estimate 2011/12 £ B	Estimate 2012/13 £ C	Estimate 2013/14 £ D	Estimate 2014/15 £ E	Estimate 2015/16 £ F	Cumulative annual impact on MTFS 2011/12 - 2015/16 £ G	One-off Costs £ H	FTE Losses I	Service implications J
A	**SERVICE REVIEW & COMPARISON** **To identify potential for above inflation increases of council's current range of fees and charges, introduction of new / premium services or new / additional fees & charges, review areas of high costs and review areas of significant cost and/or performance variance.**									
	CORPORATE / CROSS CUTTING									
A1	SERVICE COMMISSIONING Procure services which deliver community outcomes. May involve: i. Delivering services differently e.g. outsourcing or reducing the service to a lower acceptable level of performance. ii. Stop doing some services iii. Reduce cost of service delivery									To be investigated To be assessed
A2	COMMERCIAL APPROACH TO SUPPORTING EXTERNAL ORGNS Charge external organisations for 'free' external support e.g. payroll, income collection.									To be investigated
A3	INCREASED TRADING OF SERVICES						0			To be investigated
A4	BETTER JOINING UP OF CORPORATE POLICIES TO INCREASE INCOME Allowing policies to support and assist in achieving corporate priorities e.g. sponsorship of roundabouts, letting properties.									To be investigated
	OPERATIONS									
A5	CAR PARKING - DISABLED - Cease free disabled car parking at all CBC off street car parks	30,000					30,000			
A6	CAR PARKING - REDUCE COST OF PARKING ENFORCEMENT The costs in enforcing parking exceeds the income generated by fines.						0			To be investigated
	BUILT ENVIRONMENT									
A7	DEVELOPMENT CONTROL: STOP PRE-APPLICATION ADVICE Stop providing pre-application advice for householder and other minor applications - reduce planning officer establishment by one	30,000					30,000	Potential	1	Reduced service and significant impact likely
A8	DEVELOPMENT CONTROL: EXTEND PRE-APPLICATION ADVICE Extend pre-application advice charging to smaller applications (alternative to stopping pre-app advice)		30,000	20,000			50,000			Reduced service and significant impact likely in relation to customer perceptions of the planning service; no known precedent for this approach. This is an alternative to A7 above.
	FEES & CHARGES									
A9	BRANDING / NAMING RIGHTS / SPONSORSHIP OF SITES & BUILDINGS / WEBSITE SPONSORSHIP						0			To be assessed
A10	ABOVE INFLATION INCREASES IN FEES & CHARGES - Resulting from benchmarking all fees and charges with other organisations. - Review commercial decision making (e.g. review concessions offered)									Subject of ongoing investigation
		60,000	**30,000**	**20,000**	**0**	**0**	**110,000**	**0**	**1**	

BRIDGING THE GAP - POTENTIAL FUTURE OPTIONS FOR CROSS PARTY CONSIDERATION

	Project / Activity / Service Area A	Estimate 2011/12 £ B	Estimate 2012/13 £ C	Estimate 2013/14 £ D	Estimate 2014/15 £ E	Estimate 2015/16 £ F	Cumulative annual impact on MTFS 2011/12 - 2015/16 £ G	One-off Costs £ H	FTE Losses I	Service implications J
B	**ASSET MANAGEMENT** **To reduce asset base and maintenance cost, increase income from capital investment properties or invest income from capital receipt.**									
B1	BUILD OUT FELLMONGERS SITE FOR RENT OR SALE						0	?		To be investigated
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
C	**Shared Services** **To maximise efficiency opportunities and cashable savings from sharing services with other organisations.**									
	BUILT ENVIRONMENT									
C1	SHARED DEVELOPMENT CONTROL Seek to develop Development Control shared service with another Council and reduce management / support costs			50,000			50,000			Potential to share specialist resources to better effect, but considerable up front work needed to scope service and potential benefits
C2	SHARED URBAN DESIGN Shared urban design and other specialist support with another Council		20,000				20,000			Reduced urban design input to development control process and no new design concept
C3	SHARED PROPERTY SERVICES			50,000			50,000			To be assessed
		0	**20,000**	**100,000**	**0**	**0**	**120,000**	**0**	**0**	
D	**SERVICE IMPROVEMENT** **To identify efficiencies by use of targeted systems thinking interventions.**									
D1	COMMUNITY SERVICE INTERVENTION									
	POLICY & PEFORMANCE									
D2	FULL COUNCIL ELECTIONS EVERY 4 YEARS Saving resulting from moving from bi-annual elections to elections every four years.					160,000	160,000			Potentially contentious
		0	**0**	**0**	**0**	**160,000**	**160,000**	**0**	**0**	
E	**OTHER MAJOR PROJECTS** **To identify and deliver cashable savings and / or increased income from major projects and reviews.**									
	OPERATIONS									
E1	MOVE TO FORTNIGHTLY WASTE COLLECTION Potential to alternate weekly collections for residual waste	150,000	150,000				300,000	Potential redundancy costs		Politically sensitive. Likely to drive up recycling rates and increase NI 192.
E2	REDUCED MOWING STANDARDS IN HIGH AMENITY AREAS									Controversial
E3	IMPROVED GARDEN WASTE COLLECTION SERVICE FUNDED BY A CHARGE Project to be scoped around emerging recycling collection options and legal need to change garden waste collection process		500,000				500,000			Some waste may enter residual waste stream. Politically sensitive.

BRIDGING THE GAP - POTENTIAL FUTURE OPTIONS FOR CROSS PARTY CONSIDERATION

	Project / Activity / Service Area A	Estimate 2011/12 £ B	Estimate 2012/13 £ C	Estimate 2013/14 £ D	Estimate 2014/15 £ E	Estimate 2015/16 £ F	Cumulative annual impact on MTFS 2011/12 - 2015/16 £ G	One-off Costs £ H	FTE Losses I	Service implications J
	POLICY & PERFORMANCE									
E4	COMMUNITIES DELIVERING SERVICES RATHER THAN CBC e.g. Parish Councils are not subject to capping so could raise their charge on the council taxpayer and provide services, or potential to develop of third sector and use them to provide services to the public						0	May require pump priming investment		May have resistance from Parish Councils
E5	DELIVER STRATEGIC ECONOMIC DEVELOPMENT VIA GLOUCESTERSHIRE FIRST Transfer of function to Gloucestershire First		10,000				10,000	?	?	Tentative discussions with Gloucestershire First about their future role and expectations of CBC role in the SNR agenda. This could result in enhancement to Economic Development activity in Cheltenham by using resources in a more co-ordinated way.
	CORPORATE / CROSS CUTTING									
E6	INCREASE COUNCIL TAX ABOVE 2.5% (additional income based on 5%)		192,500	192,500	192,500	192,500	770,000			Resistance from Council Tax payers
	HEALTH & WELLBEING									
E7	CULTURAL TRUST covering Town Hall, Pittville Pump Room, Art Gallery & Museum and Leisure@					245,500	245,500	?	?	To be investigated
		150,000	**852,500**	**192,500**	**192,500**	**192,500**	**1,580,000**	**0**	**0**	
F	**CUTS**									
	CORPORATE / CROSS CUTTING									
F1	PAY FREEZE FOR STAFF	400,000					400,000			Staff morale. Union opposition - national and local - leading to employee relations and productivity dip.
F2	REDUCE GRANTS TO EXTERNAL BODIES A number of 'conditional offers' of grants expire in 2010/11.Total value of support - COG £708k, annual grants £27.5k, property grants £239k, discretionary rate relief £25k, say 10% decrease		100,000				100,000			contentious - would affect service to the community
	FINANCIAL SERVICES									
F3	CUT CBH CONTRIBUTION FOR UNISON WORK		12,700				12,700			May need to find internal CBC resource to support CBC employees
	OPERATIONS									
F4	CANCEL CHARLTON KINGS ELDERLY TRANSPORT GRANT Funds travel for CK elderly residents to Tesco. CVS provide transport service for those in need.	3,000					3,000			May have local opposition
F5	CANCEL TAXI VOUCHER SCHEME CVS provide transport service for those in need. Discontinue discretionary element of concessionary travel scheme	19,000					19,000			May have opposition from representatives of elderley and disabled people.
F6	REDUCE STREET CLEANSING Scale back street washing, gum removal and graffiti removal	28,000					28,000	Potential redundancy		Deterioration in cleanliness –particularly town centre, risk of legal action against CBC,
F7	REDUCE COSTS OF STAFF TOILET FACILITIES	2,600					2,600			
F8	CUT DOG WARDEN & ENFORCEMENT	40,000					40,000	Potential redundancy costs	1	Negative impact on street scene, loss of reputation

BRIDGING THE GAP - POTENTIAL FUTURE OPTIONS FOR CROSS PARTY CONSIDERATION

	Project / Activity / Service Area A	Estimate 2011/12 £ B	Estimate 2012/13 £ C	Estimate 2013/14 £ D	Estimate 2014/15 £ E	Estimate 2015/16 £ F	Cumulative annual impact on MTFS 2011/12 - 2015/16 £ G	One-off Costs £ H	FTE Losses I	Service implications J
F9	DECOMMISSION WATER FEATURES	23,000					23,000			Loss of amenity, impact on retail, tourism, festivals etc
F10	STOP SUPPLY OF FREE DOG BAGS	12,000					12,000			Increase in dog mess
F11	STOP CBC PARK EVENTS - MONTPELLIER & PAWS IN THE PARK	5,000					5,000			Cut in valued events
F12	REMOVE ANIMALS FROM CAGES IN PITTVILLE PARK	20,000					20,000			Adverse public reaction to loss of popular attraction for children.
F13	REDUCTION IN BEDDING PLANT DISPLAY	3000					3,000			Negative customer reaction and damage to reputation
F14	CEASE PROVISION OF COMMUNITY RANGER TEAM	60,000					60,000	Potential redundancy costs	3	No educational, children's activities or parkwatch scheme / reduction in park safety and supervision.
F15	REDUCED PROVISION OF SPORTS FACILITIES	50,000					50,000			Detrimental impact on health living agenda
F16	REDUCED CLEANING STANDARDS OF CAR PARKS	20,000					20,000			Potential impact on sales
F17	REDUCTION IN RESIDENTIAL LITTER COLLECTION	100,000					100,000	Potential redundancy costs	?	Deterioration in cleanliness, risk of legal action against CBC, negative impact on NI 195 a and b, could be offset by having rapid response capability
	BUILT ENVIRONMENT									
F18	STOP ADVERTISING PLANNING APPLICATIONS Stop advertising planning applications in the local press (subject to legislative change currently out for consultation)		30,000				30,000			Marginal - slightly reduced public awareness of applications - subject to change in current legislative requirement to advertise in a local newspaper
F19	REDUCTION IN HERITAGE & CONSERVATION TEAM Reduction in team from two to one	30,000					30,000	Potential redundancy costs	1	Unable to support all relevant planning applications with consultee comments; unable to review or produce any new Conservation Area Character Appraisals; Reduced support for enforcement in relation to Listed Buildings and Conservation Areas
F20	STOP PRO ACTIVE PLANNING ENFORCEMENT e.g. Planning condition monitoring, Advertising banner enforcement, Section 215 notices, Unauthorised changes to listed buildings etc.	20,000					20,000			No pro-active planning enforcement ; More service requests and complaints likely
F21	DELETE PT URBAN DESIGN PROJECTS OFFICER POST	15,000					15,000		0.5	Unable to support in-house project management of built environment projects

BRIDGING THE GAP - POTENTIAL FUTURE OPTIONS FOR CROSS PARTY CONSIDERATION

	Project / Activity / Service Area A	Estimate 2011/12 £ B	Estimate 2012/13 £ C	Estimate 2013/14 £ D	Estimate 2014/15 £ E	Estimate 2015/16 £ F	Cumulative annual impact on MTFS 2011/12 - 2015/16 £ G	One-off Costs £ H	FTE Losses I	Service implications J
F22	NO WINDOW CLEANING AT MUNICIPAL OFFICES	2,500					2,500			Building will look scruffy
F23	REMOVE VENDING MACHINES & WATER DISPENSERS	7,300					7,300			Impact on staff morale - loss of members coffee machine; positive environmental impact - MO cold tap water is potable
	HEALTH & WELLBEING									
F24	CLOSE A MAJOR FACILITY Close a major facility as an alternative to creating a cultural trust						0			To be assessed
F25	CHELTENHAM FESTIVALS - REDUCE GRANT The current arrangement with CF runs from 2008 to 2011. CF reduced financial reliance on the grant from CBC (now £109,200 annually) for the delivery of specific CBC priority outcomes. CF receive in kind support for support services (value £187,100) and although there may be scope for CF to become more self sufficient in these areas it may be difficult to release cashable savings e.g. share of licence costs.		5,000	5,000	10,000		20,000			Impact on business @ TH & PPR, CF may take it's business to other venues
F26	CUT GRANT AID TO GLOS COUNTY COUNCIL FOR MAD At end of existing CIG grant term - currently being used to fund a P/T worker through GCC (this follows cut of £50k in 2007/8)		15,000				15,000			Impact on delivery of youth focused targets/C&YP partnership as MAD acts as a delivery vehicle for campaigns/projects initiatives.
F27	CUT GRANTS TO CHELTENHAM ARTS COUNCIL / COUNTY ARTS GROUP / YOUTH ARTS	7,000					7,000			Loss of community based arts projects / seed funding opps to external organistions. provision in Cheltenham's disadvantaged areas
F28	CANCELLATION OF YEAR ROUND PLAYSCHEMES Retention of summer playschemes with the deletion of other year round playschemes at end of current funding agreement & obligations of Big Lottery. (Deletion of all schemes & the cutting of the Play Development Section completely would deliver £82k saving)	5,000					5,000			Loss of affordable community based play provision in Cheltenham's disadvantaged areas
F29	STOP DOING CHILDREN'S SERVICES		25,000				25,000			Will be significant public concerns
	ELECTORAL REGISTRATION									
F30	STOP INFORMATION SHEET WITH VOTER REGISTRATION FORM No information sheet would be posted out with the annual voter registration form	1,000					1,000			Reduce our rating for national performance indicators for good practices. More phone calls into office on how to complete form.
	DEMOCRATIC SERVICES									
F31	CANCEL MAYOR MAKING CEREMONY Do not hold a special Mayor making ceremony but elect the Mayor in Annual Council meeting in the Council chamber without any ceremony	4,200					4,200			Town will not have its traditional annual ceremonial occasional and opportunity for recognising medal of honour and business achievements
F32	CHARGING ORGNS FOR CIVIC EVENTS CURRENTLY PROVIDED WITH FREE VENUE HIRE	5,000					5,000			Currently these events are requested by the Mayor so they are not generally offered to all charities across the town so should have a low impact

BRIDGING THE GAP - POTENTIAL FUTURE OPTIONS FOR CROSS PARTY CONSIDERATION

	Project / Activity / Service Area	Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Cumulative annual impact on MTFS 2011/12 - 2015/16 £	One-off Costs £	FTE Losses	Service implications
	A	B	C	D	E	F	G	H	I	J
F33	REDUCE SUBSIDY TO FESTIVAL FOR PERFORMING ARTS Reduce subsidy to Festival of Performing Arts over 5 years by				5,000	5,000	10,000			Will mean the Festival will have to raise more funding - but will have time to do so.
F34	REDUCED COST OF MAYORS OFFICE AND REDUCED OFFICER SUPPORT For example, do not replace the civic car at the end of its lease and look for the Mayor to drive themselves to events with occassional use of taxi services, plus the potential for reduced officer support.			13,000			13,000	Potential redundancy costs	1	Mayor will have to drive themselves to events with increased inconvenience to Mayor and hosts.
		882,600	**187,700**	**18,000**	**15,000**	**5,000**	**1,108,300**	**0**	**7**	
	TOTAL FUTURE OPTIONS	**1,092,600**	**1,090,200**	**330,500**	**207,500**	**357,500**	**3,078,300**	**0**	**8**	

Capital Charges

	2009/10 ORIGINAL £	2009/10 REVISED £	2010/11 ORIGINAL £	NOTE
Minimum Revenue Provision (MRP)	435,200	441,200	498,600	1
Commutation Adjustment	0	0	0	2
Debt Redemption Premiums	217,900	220,700	220,700	3
Depreciation	(1,855,300)	(2,319,700)	(1,855,300)	4
Amortisation	(65,800)	(91,400)	(65,800)	5
Government Grants / Capital Contributions Deferred	444,200	604,200	444,200	6
Capital Charges	**(823,800)**	**(1,145,000)**	**(757,600)**	

NOTE

1 Prescribed % required to be set aside to repay debt (4%)
2 Commutation adjustment - impact of the special dispensation to set aside fixed % required to repay debt
3 Amortised cost of debt re-scheduling
4 Depreciation - deprecation charged on the Council's tangible fixed assets
5 Amortisation - amortisation charged on the Council's intangible fixed assets
6 Capital Grants and Contributions Deferred - contribution to offset depreciation and amortisation charges on those assets financed from Government Grants and external contributions

Interest and Investment Income

	2009/10 ORIGINAL £	2009/10 REVISED £	2010/11 ORIGINAL £	NOTE
External Interest Payable	1,507,300	1,225,900	1,234,300	1
HRA Item 8 Credit	46,800	28,800	54,700	2
External Interest received	(823,300)	(483,000)	(243,200)	3
HRA Item 8 Debit	(730,800)	(624,300)	(752,200)	4
Interest and Investment Income	**0**	**147,400**	**293,600**	

NOTE

1 External interest payable - interest paid on the Council's treasury management / cashflow activity
2 Item 8 credit - contribution to the Housing Revenue Account (HRA) in respect of discount received from debt re-scheduling and interest receivable on cash balances held by the HRA
3 Interest earned on Council's funds and treasury management / cashflow activity
4 Item 8 debit - contribution from the Housing Revenue Account in respect of premium incurred from debt re-scheduling and debt charges

DETAILED RESERVE MOVEMENTS

RSVE REF:		BUDGETBOOK 2009/10 £	REVISED 2009/10 £	ORIGINAL 2010/11 £	NOTE
USE OF BALANCES & RESERVES - SUMMARY					
7301	Contributions to reserves - see detail below*	1,455,903	1,753,194	1,712,947	
8240	Contributions from reserves - see detail below **	(1,900,100)	(4,449,244)	(1,536,800)	
8248	Contributions from reserves to fund one off revenue - see detail below***	(878,600)	(741,850)	(811,000)	
		(1,322,797)	**(3,437,900)**	**(634,853)**	
	*** CONTRIBUTIONS TO RESERVES**				
BR02	Pension Reserve	150,000	150,000	150,000	Contribution to pension reserve to fund future pension and augmentation costs
BR05	IBS License Reserve	26,700	26,700	26,700	Contribution to fund cost of IBS licence paid up front
BR09	Cultural Development Reserve	10,900	8,329		Investment interest earned on capital receipt from the sale of the Axiom
BR10	Business Growth Incentive Scheme (LABGI) Reserve		55,197		Contribution to LABGI Reserve in lieu of 2009/10 garnt
BR12	House Survey Reserve	7,500	7,500	7,500	Contribution towards survey every 3 years
BR45	Joint Core Strategy Reserve		110,000		Contribution to fund the Joint Core Strategy with Tewkesbury and Gloucester
BR58	Civic Pride Reserve		86,400		Contribution to fund future project costs
BR63	Rent Allowances Equalisation Reserve		37,900	131,400	Contribution to fund future costs Iin lieu of additional administration grant
BR76	Elections Reserve	65,200	65,200		Contribution to fund future election costs
BR88	IT Repairs & Renewals Reserve	77,500	77,500	77,500	Contribution to fund IT replacement programme
BR89	Property Repairs & Renewals Reserve	593,000	593,000	693,000	Contribution to fund Planned Maintenance programme
BR92	Revenue Contribution to Capital Outlay (RCCO)	525,000	525,000	625,000	Contribution to capital reserve (subject to future review of capital financing strategy)
BS01	General Reserve	103	10,468	1,847	Transfer to General Balances
		1,455,903	**1,753,194**	**1,712,947**	
	**** CONTRIBUTIONS FROM RESERVES**				
BR01	Single Status Reserve	(28,300)	(28,300)		Contribution to fund transitional costs of single status
BR01	Single Status Reserve		(277,600)		Contribution to fund 2008/09 back-pay
BR01	Single Status Reserve		(208,300)	(201,700)	Contribution to fund pay protection
BR01	Single Status Reserve		(275,000)		Contribution to fund 2009/10 growth
BR02	Pension Reserve	(200,000)	(200,000)	(150,000)	Contribution to fund increased pension costs as a result of the 2004 triennial revaluation
BR02	Pension Reserve	(165,500)	(165,500)	(65,500)	Contribution to fund increased pension costs as a result of the 2007 triennial revaluation
BR03	CPA Reserve	(43,500)	(43,500)		Contribution to fund bridging the gap resourcing in 2009/10
BR05	IBS License Reserve			(5,000)	Contribution to fund maintenance on upgrades to Council Tax / Benefits system
BR08	Grave Maintenance Reserve	(6,000)	(6,000)	(3,300)	Contribution to fund health & safety requirements
BR09	Cultural Development Reserve	(19,400)	(19,400)		Contribution to fund Virtual Arts Centre Officer
BR09	Cultural Development Reserve	(12,900)	(12,900)		Contribution to fund Art Gallery & Museum fundraising officer
BR09	Cultural Development Reserve		(212,700)		Contribution to fund Art Gallery & Museum development
BR09	Cultural Development Reserve		(50,000)		Contribution to fund Playhouse Theatre development
BR10	Business Growth Incentive Scheme (LABGI) Reserve	(317,000)	(222,000)	(135,000)	Contribution to fund economic and cultural development as agreed by Council in previous financial yearas
BR10	Business Growth Incentive Scheme (LABGI) Reserve		(282,000)	(25,000)	Contribution to fund economic and cultural development as agreed by Council 29/6/09
BR14	Flood Alleviation Reserve	(221,600)	(225,100)	(100,000)	Contribution to fund flood alleviation works
BR14	Flood Alleviation Reserve		(30,000)	(30,000)	Contribution to fund local flood alleviation works for 3 years (from EU Grant)
BR14	Flood Alleviation Reserve	(81,000)	(18,000)	(63,000)	Contribution to fund Severn Trent Water community fund schemes
BR27	TIC Shop Reserve		(16,000)		Contribution to fund Christmas Lights as agreed by Council 29/6/09
BR30	Insurance Reserve		(35,500)		Contribution to fund HSE claim
BR52	Commuted Maintenance	(66,000)	(66,000)	(66,000)	Use of developers contributions to fund maintenance costs
BR58	Civic Pride Reserve	(35,500)	(76,500)	(104,600)	Contribution to fund Project Manager
BR58	Civic Pride Reserve	(39,700)		(54,900)	Contribution to fund project costs
BR61	PDG Reserve	(268,600)	(204,800)	(245,900)	Contribution to fund future PDG costs
BR63	Rent Allowances Equalisation Reserve			(65,300)	Contribution to fund increased net cost compared to budget
BR65	Licensing Fees Equalisation Reserve	(17,000)	(17,000)	(17,000)	Contribution to fund Taxi Marshalls in 2009/10
BR72	Local Plan Reserve		(110,000)		Contribution towards Joint Core Strategy Reserve
BR76	Elections Reserve		(5,000)		Contribution to fund local 2009 district bye election

BR76	Elections Reserve			(65,200)	Contribution to fund local election costs in 2010/11
BR77	Capital Reserve - HIP		(7,400)		Contribution to fund disturbance payments within St. Paul's
BR78	Highways Insurance Reserve		(6,700)		Contribution to fund costs associated with demobilisation costs
BR88	IT Repairs & Renewals Reserve	(164,000)	(139,000)	(134,900)	Contribution to fund IT infrastructure
BR91	Old Year Creditor Rsve - RR	(175,000)	(150,200)	(4,500)	Contribution to fund the one-off staffing costs associated with the 2008/09 budget proposals as agreed by Council 8/2/08
BR91	Old Year Creditor Rsve - RR		(304,900)		Contribution to fund the one off staffing costs associated with the 2009/10 budget proposals as agreed by Council 13/2/09
BR91	Old Year Creditor Rsve - RR		(26,100)		Contribution to fund the transitional staffing costs in the recruitment of new Housing Enabling Officer in 2009/10
BR91	Old Year Creditor Rsve - RR	(39,100)	(39,100)		Contribution to fund one-off growth in 2009/10
BS01	General Reserve		(50,000)		CBC vs Laird
BS01	General Reserve		(80,000)		Contribution to fund KPMG review of CBC vs Laird
BS01	General Reserve		(154,300)		Contribution to fund the one off staffing costs associated with the 2009/10 budget proposals as agreed by Council 13/2/09
	2008/09 carry forward reserves created at 31.3.09				
BR91	General		(81,044)		Approved carry forwards at 29/6/09
BR91	Business Change		(65,000)		Approved carry forwards at 29/6/09
BR91	Chief Executives		(160,700)		Approved carry forwards at 29/6/09
BR91	Corporate Services		(81,100)		Approved carry forwards at 29/6/09
BR91	Environment		(93,200)		Approved carry forwards at 29/6/09
BR91	Social & Community		(203,400)		Approved carry forwards at 29/6/09
		(1,900,100)	**(4,449,244)**	**(1,536,800)**	
	***** CONTRIBUTIONS FROM RESERVES TO FUND ONE OFF REVENUE**				
BR89	Property Repairs & Renewals Reserve	(878,600)	(741,850)	(811,000)	To fund Programmed Maintenance
BR92	Capital Reserve	0	0	0	To fund Programmed Maintenance
		(878,600)	**(741,850)**	**(811,000)**	

Ref.	Description
43	**Street trading consents - occasional**

Look under annual street trading consents above to see how much an annual consent would be for the type of trading you wish to carry out. Then look up this amount (annual base) in the table below and read across the row to find out how much a consent would be for each time period. Fees for consents in the Christmas period are shown in brackets.

NB - The full fee must be paid at the time of application. An administration fee will be retained where an application is unsuccessful.

Ref.	09/10 (08/09 plus inflationary increase) Annual base	Monthly	Weekly	Daily Rate
	£	£	£	£
43.001	8,791	951	308	119
43.002	7,072	764	248	94
43.003	5,354	581	190	77
43.004	4,586	497	162	71
43.005	3,669	396	129	58
43.006	2,939	308	100	38

Street Trading - fee structure 2010/11

NB - The full fee must be paid at the time of application. An administration fee will be retained where an application is unsuccessful.

Ref.	Description	Annual	Monthly	Weekly	Daily Rate
		£	£	£	£
	Ice Cream Vehicles				
43.007	(Annual)	1,113	N/A	N/A	N/A
43.008	(Seasonal April - Sept)	729	N/A	N/A	N/A
	Flower Stalls & Other Stalls/Prime Sites				
43.009	(Up to 3 sq metres)	2,000	330	111	53
43.010	(3 - 6 sq metres)	3,762	406	133	60
43.011	(6 -12 sq metres)	4,702	510	166	73
43.012	(12 -18 sq metres)	5,488	596	195	79
	Flower Stalls & Other Stalls Secondary Sites				
43.013	(Up to 3 sq metres)	1,500	290	98	50
43.014	(3 - 6 sq metres)	3,010	390	122	58
43.015	(6 -12 sq metres)	3,762	406	133	60
43.016	(12-18 sq metres)	4,574	500	160	72
	Hot Food Units (Town Centre Only)				
43.017	(Up to 3 sq metres)	3,000	390	122	58
43.018	(3 - 6 sq metres)	7,249	784	254	97
43.019	(6 -12 sq metres)	9,011	975	316	112
	Hot Food Units (Outside Town Centre)				
43.020	(Up to 3 sq metres)	2,000	330	111	53
43.021	(3 - 6 sq metres)	3,000	390	122	58
43.022	(6-12 sq metres)	4,100	400	127	70
	Hot Food Vehicles (mobile)				
43.023	Town Centre	7,249	784	254	97
43.024	Outside town Centre	4,100	400	127	70
	Mobile and static Units				
43.025	Mobile Unit - Hot drinks Only	4,000	400	127	70

43.026 **Administration fee - Unsuccessful Applications - £90.00**

NB - The full fee must be paid at the time of application. An administration fee will be retained where an application is unsuccessful.

Ref.	10/11 (09/10 plus inflationary increase) Annual base	Monthly	Weekly	Daily Rate
	£	£	£	£
43.027	9,011	975	316	112
43.028	7,249	784	254	97
43.029	5,488	596	195	79
43.030	4,702	510	166	73
43.031	3,762	406	133	60
43.032	3,010	316	103	40

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/09	Budget 2009/10 agreed 29/06/09	Revised Budget 2009/10	Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15
				£	£	£	£	£	£	£	£	£
		ENVIRONMENT GROUP										
		BUILT ENVIRONMENT										
Various	C/R	Programmed Maintenance				184,000	184,000	750,000	250,000			
HC9200	C/S	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with Registered Social Landlords and the Housing Corporation			400,000	200,000	1,650,000	350,000			
		GREEN ENVIRONMENT										
LC6001	S	S.106 Play area refurbishment	Developer Contributions			50,000	50,000	50,000	50,000	50,000	50,000	50,000
LC6002	LPSA/P	Brizen Recreation Ground	Replacement/Enhancement of pod at Brizen Recreation Ground for young people			197,000	197,000					
LC6006	C	Play Area Enhancement	Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards			88,000	130,000	80,000	80,000	80,000	80,000	80,000
	C	Pittville Park restoration scheme	Council's commitment to new scheme subject to HLF approval - interim budget proposals suggest reallocation of £300,000	300,000								
LC6019	C	Parks Barriers	Security barriers to the entrances of Parks	45,000	22,507	22,000	22,000					
LC6020	C	Multi Use Games Areas (MUGA's)	Provision of MUGA's at Brizen Recreation Ground, Sandford Park, Naunton Park, and Oakley	135,000	121,754	13,000	13,000					
LC6021	C/P	Jenner Gardens	The restoration of a non conformist graveyard off the Lower High Street known as Jenner Gardens so that it is safe and accessible, by providing new paths, railings, seating and planting, and introducing interpretive signs and structures	70,000	63,770	6,200	6,200					
		INTEGRATED TRANSPORT										
EC0033	C	CCTV in Car Parks	Additional CCTV in order to improve shopping areas and reduce fear of crime			71,000	56,000	50,000	50,000	50,000	50,000	50,000
	C	Electronic car park management system	Electronic car park signage system to guide motorists to the nearest available parking spaces - on hold subject to capital funding becoming available	280,000		280,000						
		ENVIRONMENTAL MAINTENANCE										
EC0051	C	Re-jointing High Street/Promenade pedestrianised area	Re-jointing works required to improve safety and appearance of the core commercial area	60,000	36,734	23,000	23,000					
EC0054		Depot Rationalisation	Costs associated with incorporating Tewkesbury Borough Council within the Depot site at Swindon Road	200,000	16,000	152,400	152,400					
EC0055		Introduction of cardboard recycling and composting of household waste	Mixing coloured glass on the collection vehicle will provide a spare bay which can be used to store grey kitchen cardboard, the cost of which will be offset from increased recycling credits. A capital budget is sought to fund additional boxes and provide subsidised home composters			20,000	20,000					
		CORPORATE SERVICES GROUP										
		Financial Services										
DC3020	C	Financial Management System upgrade	Development of e-procurement module to link to the market place via @UK - deferred subject to GO7			30,000						

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/09	Budget 2009/10 agreed 29/06/09	Revised Budget 2009/10	Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15
				£	£	£	£	£	£	£	£	£
		ICT										
DC3204	C	Business Change Programme	Attendance Recording & Payroll Processing, CRM Phase 2, Library Drive & Internet Search Engine, and Government Connect			34,000	34,000					
DC3211		Working Flexibly	Deliver council services at a time and place which suit the customer.			67,000	67,000					
		DSU										
DC3212		Replacement of committee web system	This proposal is to migrate to a purpose built committee management system, modern.gov which would be accessible from the new Jadu website			20,000	20,000					
		SOCIAL & COMMUNITY SERVICES GROUP										
		COMMUNITY SERVICES										
HC9100	G/HRA	Choice Based Lettings	Adoption of Countywide choice based letting scheme by 2010			38,000	38,000					
HC7440	C/SCG	Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.			524,000	670,000	574,000	574,000	574,000	574,000	574,000
HC7445	C	Adaptation Support Grant	Used mostly where essential repairs (health and safety) are identified to enable the DFG work to proceed (e.g. electrical works).			70,000	40,000	40,000	40,000	40,000	40,000	40,000
HC7400	PSDH	Health & Safety Grant / Loans	A new form of assistance available under the council's Housing Renewal Policy 2003-06									
HC7405	PSDH	Vacant Property Grant	A new form of assistance available under the council's Housing Renewal Policy 2003-06									
HC7410	PSDH	Renovation Grants	Grants provided under the Housing Grants, Construction and Regeneration Act 1996			453,300	512,000	819,000	445,000	445,000	445,000	445,000
HC7455	PSDH	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems									
EC0006	C	CCTV/Town Centre initiative	Expansion of on street CCTV in the town centre to increase safety and secure the environment			124,000	124,000	50,000	50,000	50,000	50,000	50,000
		HEALTH AND WELL BEING										
LC4003	S	Public Art	Public Arts projects as recognised by the Public Arts Panel									
	R/P	Art Gallery & Museum Development Scheme	Council's commitment to new scheme as agreed by Council 20th July 2008					1,000,000	1,000,000			
		INTERIM BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME:								200,000	200,000	200,000
		Storage Area Network	Storage for the council's data in a secure, expandable and robust environment					155,000				
		Flexible Working - Phase 2	Implementation of Citrix environment to deliver business apllications to the home / remote users desktop					49,000				
		Burial Chapel	Invest to save scheme to convert burial chapel to handle cremations					110,000				
		Regent Arcade	Estimated share of refurbishment costs					350,000				
		Everyman Theatre	Contribution towards the redevelopment project - subjecto to HLF approval						250,000			

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/09	Budget 2009/10 agreed 29/06/09	Revised Budget 2009/10	Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15
				£	£	£	£	£	£	£	£	£
		CAPITAL SCHEMES - RECLASSIFIED AS REVENUE										
EC0035	G/C	Marle Hill Tip - pollution remediation / culvert works - phase 2	Scheme to alleviate the problem with leachate into Wymans Brook (dependant on the results of phase 1)	300,000	116,636	183,300	10,000					
DC1066	C	Land & Property presale costs	Property & Legal costs associated with the proposed Midwinter Development and Fellmongers site									
LC6005	C	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	353,100	270,554	82,500	82,500					
EC0037	S	S.106 Integrated Transport - Developer Contributions	Developer Contributions			25,000	25,000					
EC0049	C	Sixways Regeneration				3,000	3,000					
EC0043	C	Rationalisation & maintenance of street furniture and signposting	Obsolete furniture that need removing. Backlog of repairs to signposts and street furniture	20,000	8,071	12,000	12,000					
		TOTAL CAPITAL PROGRAMME				**3,172,700**	**2,691,100**	**5,727,000**	**3,139,000**	**1,489,000**	**1,489,000**	**1,489,000**

		Budget 2009/10 agreed 29/06/09	Revised Budget 2009/10	Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15
	Funded by:							
G	Government Grants							
SCG	Specified Capital Grant (DFG)	274,000	294,000	294,000	294,000	294,000	294,000	294,000
LPSA	Local Public Service Agreement	64,000	64,000					
P	Partnership Funding	138,000	181,200					
PSDH	Private Sector Decent Homes Grant	453,300	512,000	819,000	445,000	445,000	445,000	445,000
HLF	Heritage Lottery Funding							
HRA	Housing Revenue Account Contribution	43,200	43,200					
R	Property Planned Maintenance Reserve			750,000	250,000			
R	Recreation Centre Maintenance Reserve	183,895	183,895					
R	AG&M Development Reserve			1,000,000	1,000,000			
S	Developer Contributions S106	75,000	75,000	50,000	50,000	50,000	50,000	50,000
C	Capital Receipts	540,000	337,000					
C	HIP Capital Reserve	400,000	200,000	1,650,000	350,000			
C	GF Capital Reserve / Prudential Borrowing	1,001,305	800,805	1,164,000	750,000	700,000	700,000	700,000
		3,172,700	**2,691,100**	**5,727,000**	**3,139,000**	**1,489,000**	**1,489,000**	**1,489,000**

SUMMARY - Year 5-7

Expenditure Code	Building	C 2009/10 ORIGINAL	C 2009/10 REVISED	C 2010/11	C 2011/12	Capital Total	R 2009/10 ORIGINAL	R 2009/10 REVISED	R 2010/11	R 2011/12	Revenue Total	Total Cost to General Fund
PM0000	All properties (H&S)	-	-	-	-	-	5,000	-	5,000	5,000	10,000	10,000
PM0000 Total		-	-	-		-	5,000	-	5,000	5,000	10,000	10,000
PM0010	Art Gallery/Museum	-	-	-	-	-	37,000	23,000	-	2,500	25,500	25,500
	Clarence Street (51)	-	-	-	-	-	-	-	-	300	300	300
	Clarence Street (53)	-	-	-	-	-	-	-	-	300	300	300
	Clarence Street (55)	-	-	-	-	-	-	-	-	300	300	300
	Clarence Street Library	-	-	-	-	-	5,000	9,000	-	1,000	10,000	10,000
PM0010 Total		-	-	-	-	-	42,000	32,000	-	4,400	36,400	36,400
PM0020	Town Hall	-	-	-	-	-	98,200	78,200	83,500	8,500	170,200	170,200
PM0020 Total		-	-	-	-	-	98,200	78,200	83,500	8,500	170,200	170,200
PM0030	Pittville Pump Room	-	-	-	-	-	89,700	109,700	88,700	23,200	221,600	221,600
PM0030 Total		-	-	-	-	-	89,700	109,700	88,700	23,200	221,600	221,600
PM0040	Pittville Cricket Hall	188,000	184,000	-	-	184,000	28,000	26,000	-	-	26,000	210,000
	Pittville Rec Centre CP	-	-	-	-	-	-	-	2,000	1,000	3,000	3,000
	Pittville Recreation Centre	-	-	-	-	-	38,000	38,000	10,000	37,700	85,700	85,700
	Pittville Swimming Pool	-	-	-	-	-	2,000	2,000	5,000	7,000	14,000	14,000
PM0040 Total		188,000	184,000	-	-	184,000	68,000	66,000	17,000	45,700	128,700	312,700
PM0041	PoW Stadium CP	-	-	-	-	-	-	-	-	4,000	4,000	4,000
	Prince of Wales Stadium Track	-	-	-	-	-	7,000	750	2,000	300,000	302,750	302,750
	Prince of Wales Stadium	-	-	-	-	-	30,100	27,800	27,300	39,600	94,700	94,700
PM0041 Total		-	-	-	-	-	37,100	28,550	29,300	343,600	401,450	401,450
PM0042	Agg Gardner Pavilion	-	-	-	-	-	-	-	-	-	-	-
	Beeches Pavilion	-	-	-	-	-	-	-	-	-	-	-
	Brizen Pavilion	-	-	-	-	-	-	-	-	-	-	-
	Burrows Pavilion	-	-	-	-	-	-	-	12,000	-	12,000	12,000
	Central Cross Kiosk	-	-	-	-	-	-	-	-	12,150	12,150	12,150
	King George V Pavilion	-	-	-	-	-	200,000	226,200	-	-	226,200	226,200
	Mary Godwin Pavilion	-	-	-	-	-	-	-	-	-	-	-
	Naunton Park Pavilion	-	-	-	-	-	-	-	-	-	-	-
	Pittville Boat House	-	-	-	-	-	-	-	-	-	-	-
	Priors Farm Pavilion	-	-	-	-	-	150,000	12,800	141,000	-	153,800	153,800
	Welch Road Pavilion	-	-	-	-	-	-	-	-	-	-	-
	Whaddon Road Pavilion	-	-	-	-	-	-	-	-	-	-	-
	All Pavilions	-	-	-	-	-	-	-	5,000	-	5,000	5,000
	Hatherley Park Pavilion	-	-	-	-	-	-	-	-	-	-	-
PM0042 Total		-	-	-	-	-	350,000	239,000	158,000	12,150	409,150	409,150
PM0060	Central Depot (Swindon Rd)	-	-	-	-	-	30,000	30,000	30,000	2,500	62,500	62,500
PM0060 Total		-	-	-	-	-	30,000	30,000	30,000	2,500	62,500	62,500
PM0061	Civic Amenity Centre	-	-	-	-	-	-	500	-	1,500	2,000	2,000
PM0061 Total		-	-	-	-	-	-	500	-	1,500	2,000	2,000

		C				Capital Total	R				Revenue Total	Total Cost to General Fund
Expenditure Code	Building	2009/10 ORIGINAL	2009/10 REVISED	2010/11	2011/12		2009/10 ORIGINAL	2009/10 REVISED	2010/11	2011/12		
PM0070	Municipal Office	-	-	-	-	-	12,000	3,300	20,000	5,500	28,800	28,800
PM0070 Total		-	-	-	-	-	12,000	3,300	20,000	5,500	28,800	28,800
PM0080	Cemetery Gardens	-	-	-	-	-	12,000	12,300	25,000	-	37,300	37,300
	Cemetery Lodge	-	-	-	-	-	-	-	-	500	500	500
	Cemetery Chapel	-	-	-	-	-	15,000	8,000	-	1,200	9,200	9,200
	Cemetery Nursery	-	-	-	-	-	-	-	-	650	650	650
	Cemetery Offices	-	-	-	-	-	-	-	4,500	700	5,200	5,200
PM0080 Total		-	-	-	-	-	27,000	20,300	29,500	3,050	52,850	52,850
PM0081	The Crematorium	-	-	750,000	250,000	750,000	48,600	65,000	50,000	10,000	125,000	875,000
PM0081 Total		-	-	750,000	250,000	750,000	48,600	65,000	50,000	10,000	125,000	875,000
PM0082	Charlton Kings Cemetery	-	-	-	-	-	-	-	-	650	650	650
PM0082 Total		-	-	-	-	-	-	-	-	650	650	650
PM0090	Agg Gardner Recreation Grd	-	-	-	-	-	-	-	-	-	-	-
	Alma Rd Scouts Hut	-	-	-	-	-	-	-	-	-	-	-
	Barn Farm	-	-	-	-	-	4,500	2,800	-	-	2,800	2,800
	Bath Road (55)	-	-	-	-	-	-	-	-	-	-	-
	Berkley Mews	-	-	-	-	-	-	-	19,000	-	19,000	19,000
	Brizen Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Burrows Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Burts Yard	-	-	-	-	-	-	-	-	-	-	-
	Caernarvon Rd Recreation Grd	-	-	-	-	-	-	-	-	-	-	-
	Cambray Place (24)	-	-	-	-	-	-	-	2,000	-	2,000	2,000
	Cheltenham Spa Bowling Club	-	-	-	-	-	-	-	-	-	-	-
	Cheltenham Town Football Club	-	-	-	-	-	-	-	-	-	-	-
	Chester Walk (04)	-	-	-	-	-	-	-	-	-	-	-
	Chester Walk (05)	-	-	-	-	-	-	-	-	-	-	-
	Church St Nursery School Site	-	-	-	-	-	-	-	-	-	-	-
	Churchdown Parish Council Offices	-	-	-	-	-	-	-	-	-	-	-
	Civic Garage	-	-	-	-	-	-	-	-	200	200	200
	Civil Service Sports Ground	-	-	-	-	-	-	-	-	-	-	-
	Clyde Crescent Recreation Grd	-	-	-	-	-	-	-	-	-	-	-
	Dowty House	-	-	-	-	-	-	-	-	-	-	-
	Edinburgh Place Shopping Centre	-	-	-	-	-	-	-	-	-	-	-
	Elmfield Rd Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Grange Walk Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Grange Walk Tennis Crt	-	-	-	-	-	-	-	-	-	-	-
	Grange Walk Youth Club	-	-	-	-	-	-	-	-	-	-	-
	Griffiths Ave Nature Reserve	-	-	-	-	-	-	-	-	-	-	-
	Grosvenor Street (39)	-	-	-	-	-	-	-	-	-	-	-
	Hatherley Park	-	-	-	-	-	-	-	-	-	-	-
	Haywards Lane Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Hesters Way Park	-	-	-	-	-	-	-	-	-	-	-
	Hesters Way Park Stores	-	-	-	-	-	-	-	-	-	-	-
	Hill Farm	-	-	-	-	-	-	-	-	-	-	-
	Horse & Groom	-	-	-	-	-	-	-	-	-	-	-
	Imperial Sq Beer Pavilion	-	-	-	-	-	-	-	-	-	-	-
	King George V Playing Field	-	-	-	-	-	-	-	-	-	-	-
	King George V Tennis Crt	-	-	-	-	-	-	-	-	-	-	-
	King Street (Site of)	-	-	-	-	-	-	-	-	-	-	-
	Leckhampton Scouts Hall	-	-	-	-	-	-	-	-	-	-	-
	Montpellier Gardens Bandstand	-	-	-	-	-	-	-	-	-	-	-

Expenditure Code	Building	C 2009/10 ORIGINAL	C 2009/10 REVISED	C 2010/11	C 2011/12	Capital Total	R 2009/10 ORIGINAL	R 2009/10 REVISED	R 2010/11	R 2011/12	Revenue Total	Total Cost to General Fund
	Montpellier Gardens Lodge	-	-	-	-	-	-	-	-	500	500	500
	Montpellier Gardens Proscenium	-	-	-	-	-	-	-	-	-	-	-
	Montpellier Gardens Shelter	-	-	-	-	-	-	-	15,000	-	15,000	15,000
	Montpellier Gardens Tennis Crt	-	-	-	-	-	-	-	-	-	-	-
	Naunton Park Recreation Grd	-	-	-	-	-	-	-	-	-	-	-
	Neptune's Fountain	-	-	-	-	-	-	-	5,000	-	5,000	5,000
	Old Patesians Sports Club	-	-	-	-	-	-	-	-	-	-	-
	Pittville Civil Defence Centre	-	-	-	-	-	-	-	-	-	-	-
	Pittville Park Aviaries	-	-	-	-	-	-	-	-	250	250	250
	Pittville Park Bandstand	-	-	-	-	-	-	-	-	-	-	-
	Pittville Park Golf Course	-	-	-	-	-	-	-	-	-	-	-
	Pittville Park Landing Stage	-	-	-	-	-	-	-	-	-	-	-
	Pittville Park Tennis Crt	-	-	-	-	-	-	-	-	-	-	-
	Pittville Parks & Gardens	-	-	-	-	-	-	-	3,500	-	3,500	3,500
	Playhouse Theatre	-	-	-	-	-	-	-	-	-	-	-
	Priors Farm Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Promenade Basement Front	-	-	-	-	-	-	-	-	-	-	-
	Promenade Long Gardens	-	-	-	-	-	-	-		-	-	-
	Rose & Crown Passage Depot	-	-	-	-	-	-	-	-	-	-	-
	Royal Crescent (14)	-	-	-	-	-	-	-	-	-	-	-
	Royal Well Bus Station	-	-	-	-	-	-	-	-	-	-	-
	Royal Well Clock	-	-	-	-	-	-	-	-	-	-	-
	Sandford Park	-	-	-	-	-	-	-	-	-	-	-
	Sandford Park Offices	-	-	-	-	-	-	-	21,300	400	21,700	21,700
	Sandy Lane Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Shopmobility	-	-	-	-	-	-	-	-	-	-	-
	Six Ways Hall	-	-	-	-	-	-	-	-	-	-	-
	St Georges Place (03)	-	-	-	-	-	-	-	-	-	-	-
	St Georges Place Burial Groun	-	-	-	-	-	-	-	-	-	-	-
	St James Street (08)	-	-	-	-	-	-	-	-	-	-	-
	St James Street (12)	-	-	-	-	-	-	-	-	-	-	-
	St James Street (14)	-	-	-	-	-	-	-	-	-	-	-
	St James Street (28)	-	-	-	-	-	-	-	-	-	-	-
	St James Street (30)	-	-	-	-	-	-	-	-	-	-	-
	St James Street (32-34)	-	-	-	-	-	-	-	-	-	-	-

Expenditure Code	Building	C 2009/10 ORIGINAL	C 2009/10 REVISED	C 2010/11	C 2011/12	Capital Total	R 2009/10 ORIGINAL	R 2009/10 REVISED	R 2010/11	R 2011/12	Revenue Total	Total Cost to General Fund
	St James Street (36-38)	-	-	-	-	-	-	-	-	-	-	-
	St Margaret's Hall	-	-	-	-	-	-	-	-	-	-	-
	St Margaret's Scouts Hall	-	-	-	-	-	-	-	-	-	-	-
	St Mary's Mission	-	-	-	-	-	-	-	-	250	250	250
	St Pauls Terrace (04)	-	-	-	-	-	-	-	-	-	-	-
	St Stephens Cricket Pavillion	-	-	-	-	-	-	-	-	-	-	-
	Swindon Road (08)	-	-	-	-	-	-	-	-	-	-	-
	Swindon Road (14)	-	-	-	-	-	-	-	-	-	-	-
	Swindon Road Depot (Mitton's Garage)	-	-	-	-	-	-	-	-	-	-	-
	Swindon Road Depot (Pipeline Compound)	-	-	-	-	-	-	-	-	-	-	-
	Swindon Road Depot (PMF)	-	-	-	-	-	-	-	-	-	-	-
	Swindon Road Depot (Tipweld)	-	-	-	-	-	-	-	-	-	-	-
	Swindon Village Playing Field	-	-	-	-	-	-	-	-	-	-	-
	TAVR Centre	-	-	-	-	-	-	-	-	-	-	-
	The Beeches Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Tramway Cottage	-	-	-	-	-	-	-	25,000	300	25,300	25,300
	Up Hatherley Way Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Welch Road Playing Field	-	-	-	-	-	-	-	-	-	-	-
	Whaddon Rd Bowling Club	-	-	-	-	-	-	-	-	-	-	-
	Whaddon Recreation Ground	-	-	-	-	-	-	-	-	-	-	-
PM0090 Total		-	-	-	-	-	4,500	2,800	90,800	1,900	95,500	95,500
PM0091	Everyman Theatre	-	-	-	-	-	5,000	5,000	35,000	-	40,000	40,000
PM0091 Total		-	-	-	-	-	5,000	5,000	35,000	-	40,000	40,000
PM0092	Cemetery Nursery	-	-	-	-	-	-	-	-	-	-	-
	Central Nursery	-	-	-	-	-	-	-	26,700	1,050	27,750	27,750
	Central Nursery House 1	-	-	-	-	-	-	-	12,000	-	12,000	12,000
	Central Nursery House 2	-	-	-	-	-	-	-	8,000	-	8,000	8,000
PM0092 Total		-	-	-	-	-	-	-	46,700	1,050	47,750	47,750
PM0095	Edinburgh House	-	-	-	-	-	-	-	2,500	2,200	4,700	4,700
PM0095 Total		-	-	-	-	-	-	-	2,500	2,200	4,700	4,700
PM0096	Stanton Rooms	-	-	-	-	-	-	-	-	400	400	400
PM0096 Total		-	-	-	-	-	-	-	-	400	400	400
PM0099	Memorials/Statues/Fountains	-	-	-	-	-	6,500	6,500	-	18,000	24,500	24,500
PM0099 Total		-	-	-	-	-	6,500	6,500	-	18,000	24,500	24,500
PM0120	Arle Court Park/Ride	-	-	-	-	-	-	-	-	-	-	-
	Baynham Way CP	-	-	-	-	-	-	-	-	-	-	-
	Bennington Street CP	-	-	-	-	-	-	-	-	-	-	-
	Chapel Walk CP	-	-	-	-	-	-	-	-	-	-	-
	Coronation Square CP	-	-	-	-	-	-	-	-	-	-	-
	Glenfall Street CP	-	-	-	-	-	-	-	-	-	-	-
	Jersey Street CP	-	-	-	-	-	-	-	-	-	-	-
	Phoenix Passage CP	-	-	-	-	-	-	-	-	-	-	-
	Pittville Park Golf Course CP	-	-	-	-	-	-	-	-	-	-	-

Expenditure Code	Building	C 2009/10 ORIGINAL	C 2009/10 REVISED	C 2010/11	C 2011/12	Capital Total	R 2009/10 ORIGINAL	R 2009/10 REVISED	R 2010/11	R 2011/12	Revenue Total	Total Cost to General Fund
	Race Course Park/Ride	-	-	-	-	-	-	-	-	-	-	-
	Rodney Road CP	-	-	-	-	-	-	-	-	-	-	-
	Sidney Street CP1	-	-	-	-	-	-	-	-	-	-	-
	Sidney Street CP2	-	-	-	-	-	-	-	-	-	-	-
	Springbank Way CP	-	-	-	-	-	-	-	-	-	-	-
	St. Peter's Rec Ground CP	-	-	-	-	-	-	-	-	-	-	-
	Whitehart Street CP	-	-	-	-	-	-	-	-	-	-	-
	All CPs	-	-	-	-	-	-	-	8,000	-	8,000	8,000
PM0120 Total		-	-	-	-	-	-	-	8,000	-	8,000	8,000
PM0121	Bath Terrace CP	-	-	-	-	-	-	-	-	-	-	-
PM0121 Total		-	-	-	-	-	-	-	-	-	-	-
PM0123	Church Piece CP	-	-	-	-	-	-	-	-	-	-	-
PM0123 Total		-	-	-	-	-	-	-	-	-	-	-
PM0124	Commercial Street CP	-	-	-	-	-	-	-	-	-	-	-
PM0124 Total		-	-	-	-	-	-	-	-	-	-	-
PM0125	Grosvenor Terrace Multi-Storey CP	-	-	-	-	-	42,000	42,000	-	-	42,000	42,000
PM0125 Total		-	-	-	-	-	42,000	42,000	-	-	42,000	42,000
PM0126	High Street CP	-	-	-	-	-	-	-	-	-	-	-
PM0126 Total		-	-	-	-	-	-	-	-	-	-	-
PM0127	Idsall Drive CP	-	-	-	-	-	-	-	-	-	-	-
PM0127 Total		-	-	-	-	-	-	-	-	-	-	-
PM0128	Lansdown Place CP	-	-	-	-	-	-	-	-	-	-	-
PM0128 Total		-	-	-	-	-	-	-	-	-	-	-
PM0129	North Place CP	-	-	-	-	-	-	-	-	-	-	-
PM0129 Total		-	-	-	-	-	-	-	-	-	-	-
PM0130	Portland Street CP	-	-	-	-	-	-	-	-	-	-	-
PM0130 Total		-	-	-	-	-	-	-	-	-	-	-
PM0131	Regent Arcade Multi-storey CP	-	-	-	-	-	-	-	6,500	-	6,500	6,500
PM0131 Total		-	-	-	-	-	-	-	6,500	-	6,500	6,500
PM0133	Sherborne Place CP	-	-	-	-	-	-	-	-	-	-	-
PM0133 Total		-	-	-	-	-	-	-	-	-	-	-
PM0134	Whitefriars Sixways CP	-	-	-	-	-	-	-	-	-	-	-
PM0134 Total		-	-	-	-	-	-	-	-	-	-	-
PM0135	St. George's Road CP	-	-	-	-	-	-	-	-	-	-	-
PM0135 Total		-	-	-	-	-	-	-	-	-	-	-
PM0136	St. James's Street CP	-	-	-	-	-	-	-	-	-	-	-
PM0136 Total		-	-	-	-	-	-	-	-	-	-	-
PM0137	Synagogue Lane CP	-	-	-	-	-	-	-	-	-	-	-
PM0137 Total		-	-	-	-	-	-	-	-	-	-	-
PM0139	Bath Parade CP	-	-	-	-	-	-	-	-	-	-	-
PM0139 Total		-	-	-	-	-	-	-	-	-	-	-
PM0150	Honeybourne Line Folly Lane Bridge	-	-	-	-	-	-	-	3,000	-	3,000	3,000
	Honeybourne Line Lower High St Bridge	-	-	-	-	-	3,000	3,000	40,000	-	43,000	43,000
	Honeybourne Line Malvern Rd Bridge	-	-	-	-	-	-	-	7,000	-	7,000	7,000

Expenditure Code	Building	C 2009/10 ORIGINAL	C 2009/10 REVISED	C 2010/11	C 2011/12	Capital Total	R 2009/10 ORIGINAL	R 2009/10 REVISED	R 2010/11	R 2011/12	Revenue Total	Total Cost to General Fund
	Honeybourne Line Market St Bridge	-	-	-	-	-	2,000	2,000	5,000	-	7,000	7,000
	Honeybourne Line St. Paul's Rd Bridge	-	-	-	-	-	3,000	3,000	35,000	-	38,000	38,000
	Honeybourne Line Swindon Rd Bridge	-	-	-	-	-	3,000	3,000	8,000	-	11,000	11,000
	Kingham Lane Bridge	-	-	-	-	-	2,000	2,000	-	-	2,000	2,000
PM0150 Total		-	-	-	-	-	13,000	13,000	98,000	-	111,000	111,000
PM0160	Ambrose Street WC	-	-	-	-	-	-	-	-	300	300	300
	Bath Terrace WC	-	-	-	-	-	-	-	-	300	300	300
	Church Piece WC	-	-	-	-	-	-	-	-	300	300	300
	Cox's Meadow WC	-	-	-	-	-	-	-	-	300	300	300
	Edinburgh Place WC	-	-	-	-	-	-	-	-	300	300	300
	Grosvenor Terrace WC	-	-	-	-	-	-	-	-	-	-	-
	Imperial Gardens WC	-	-	-	-	-	-	-	-	300	300	300
	Montpellier WC	-	-	-	-	-	-	-	-	-	-	-
	Pittville Park WC	-	-	-	-	-	-	-	-	-	-	-
	Portland Street WC	-	-	-	-	-	-	-	-	300	300	300
	Royal Well WC	-	-	-	-	-	-	-	-	300	300	300
	Sandford Park WC	-	-	-	-	-	-	-	-	300	300	300
	All WCs	-	-	-	-	-	12,500	12,500	12,500	8,000	33,000	33,000
PM0160 Total		-	-	-	-	-	12,500	12,500	12,500	10,700	35,700	35,700
Grand Total		**188,000**	**184,000**	**750,000**	**250,000**	**934,000**	**891,100**	**754,350**	**811,000**	**500,000**	**2,065,350**	**2,999,350**

External Funding											
Gloucestershire County Council					-	(12,500)	(12,500)	-	-	(12,500)	(12,500)
Recreation Centre Maintenance Reserve	(188,000)	(184,000)			(372,000)	-	-	-	-		
War Commission					-	-	-	-	-	-	-
Total Net Cost to General Fund	**-**	**-**	**750,000**	**250,000**	**562,000**	**878,600**	**741,850**	**811,000**	**500,000**	**2,052,850**	**2,986,850**

Housing Revenue Account	**-**		**-**	**-**	**-**		**-**	**2,500**	**2,200**	**2,500**	**2,500**

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

1. Introduction

1.1 The Medium Term Financial Strategy (MTFS) is the council's key financial planning document. It sets out, and considers the financial implications of the council's, objectives and priorities. The aim of the MTFS is to ensure a stable and sustainable financial position that will allow the council to achieve its vision, aims and ambitions over the next 5 years.

1.2 The council is committed to maximising the use of scarce resources and directing resources towards its priorities whilst keeping council tax at an affordable level. The MTFS is reviewed regularly and reported to Members during the budget process and at budget setting annually.

1.3 The council has, for many years, incorporated a national requirement for the identification of efficiencies (Gershon savings) within its corporate planning and decision-making processes in line with Government targets.

1.4 The identification of efficiencies and other savings (including increases in fees and charges) has enabled the council to reallocate available resources to achieve the introduction of new or enhanced services (e.g. concessionary fares and new recycling initiatives).

1.5 The purpose of this document is to formulate a financial strategy which will guide the management of the council's finances during a period of very tight external financial constraint. The strategy considers the factors and influences on the council's resources.

1.6 This year's review is once again overshadowed by the national economic climate. The council faces a major challenge in managing the impact of the recession on budgets and services, including the impact of falling interest rates coupled with tight government grant settlements. Most of the issues had already been anticipated but not to the extent now being experienced.

1.7 The strategy covers the period 2010/11 - 2015/16 and sets out the resource issues and principles that shape the budget; identifies current issues and considers potential developments / related issues that are likely to provide the basis for future revenue and capital budgets.

1.8 The Housing Revenue Account (HRA) is not included, as a separate budget and Business Plan is produced for the HRA to cover its planning processes.

2. Links to other Council Plans

2.1 Cheltenham Borough Council's Business Plan 2007-2010 was agreed in March 2007 and set out our three year aims and their supporting ambitions.

2.2 Since then the council has agreed three annual business plans with milestones, targets and risks and a separate Medium Term Financial Strategy (MTFS), which is for a five year period and updated annually.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

2.3 The next plan will run from April 2010 and it is proposed that the council adopts a Corporate Strategy that has a more explicit link with the MTFS which would be for a five year rolling period. This new over-arching long term strategy would provide a framework for the annual budget and action plan which would be reviewed and updated annually.

2.4 The council has begun the process of developing the new strategy and elected members, officers, key partners, community groups and local businesses have been involved in shaping how the new draft strategy should look and the key issues we need to focus on. A consultation draft was agreed by cabinet on 8th December 2009.

2.5 As part of the development process, we took advice from the Improvement and Development Agency for local government who told us that we have been trying to do too much and that we should use the opportunity of the new corporate strategy to reassure ourselves that we have the financial and staffing capacity to deliver our ambitions.

2.6 We have therefore agreed that we should move to fewer high-level objectives to help us be clearer about our priorities and that these objectives must reflect the reality of community needs and provide a framework for community outcomes.

Our proposed objectives

2.7 The draft strategy is proposing that the council adopts three community objectives:

- Enhancing and protecting our environment
- Strengthening our economy
- Strengthening our communities

2.8 These are supported by two cross-cutting objectives of:

- Enhancing the provision of arts and culture
- Ensuring we provide value for money services that effectively meet the needs of our customers

Our proposed outcomes

2.9 The outcomes are critical in that they describe the improvements we will make to improve the well-being of the whole population of Cheltenham. By putting outcomes centre-stage in our strategy, we are making a commitment that our customers and communities will judge us by how well we are improving the quality of life rather than other measures of success.

2.10 Some of these outcomes we will be able to deliver by ourselves, but for many other outcomes we will have to work in partnership with other organisations.

2.11 From the consultation activities and the needs analysis we are proposing a set of outcomes the council should be focusing on.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

Objectives	Outcomes
Enhancing and protecting our environment	Cheltenham has a clean and well-maintained environment
	Cheltenham's natural and built environment is enhanced and protected
	Carbon emissions are reduced and Cheltenham is able to adapt to the impacts of climate change
	Cheltenham has improved access and travel options
Strengthening our economy	Cheltenham is able to recover quickly and strongly from the recession
	We attract more visitors and investors to Cheltenham
	Unemployed people are able to access employment and training
Strengthening our communities	Communities feel safe and are safe
	People have access to decent and affordable housing
	People are able to lead healthy lifestyles
	Our residents enjoy a strong sense of community and are involved in identifying and resolving local issues
Enhancing the provision of arts and culture	Arts and culture are used as a means to strengthen communities, strengthen the economy and enhance and protect our environment
Ensuring we provide value for money services that effectively meet the needs of our customers	The council delivers cashable savings, as well as improved customer satisfaction overall and better performance through the effective commissioning of services

2.12 The role of the MTFS is to support the delivery of the council's vision, aims and ambitions. A key delivery driver for this to be achieved is through joint plans with partners and stakeholders alike which are detailed in section 8 below.

3. Financial Projections – Revenue Resource Requirements

3.1 The key aim of the MTFS is to develop a series of financial projections to determine the longer term financial implications, in order to deliver the aims set out in the council's business plan.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

3.2 As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities and previous decisions. This is then measured against the projection of available funding to determine affordability. The package of measures required to equalise the two forms the financial strategy to 'bridge' the funding gap for each financial year.

3.3 The projections of the funding gap based on council tax increases of 2.5%, 3.5% and 5% are shown in Table 1.

Table 1: Projection of Funding Gap

	2010/11	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	£	**£**	**£**	**£**	**£**	**£**
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		16,753,397	16,085,232	15,909,393	16,137,457	16,371,726
Increased costs of existing services						
General Inflation		150,000	200,000	200,000	200,000	200,000
Employee related expenditure		396,100	206,100	413,400	421,700	430,200
Pension costs - 2004 Revaluation		50,000	50,000	50,000		
Pension costs - 2007 Revaluation		65,500				
Pension costs - 2010 Revaluation		278,500	278,500	278,500		
Landfill Tax		40,000	40,000			
DEFRA funded vehicles			70,000			
Maintenance of watercourses, streams and ditches			30,000			
Income						
Fees and Charges		(328,200)	(336,800)	(345,500)	(354,100)	(362,900)
Investment Income		30,200	(1,400)	(4,300)	(9,000)	(4,600)
Minimum Revenue Provision		146,500				
Reserves						
Property repairs & renewals fund		125,000	200,000	200,000	182,000	
RCCO		75,000				
Projected Net Cost of Service	**16,753,397**	**17,781,997**	**16,821,632**	**16,701,493**	**16,578,057**	**16,634,426**
Government Grants	(8,841,359)	(7,957,223)	(7,559,362)	(7,559,362)	(7,559,362)	(7,559,362)
Collection Fund surplus	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)
Council Tax (assumes 2.5% increase)	(7,878,538)	(8,094,509)	(8,316,531)	(8,544,595)	(8,778,864)	(9,019,507)
Projected Funding Gap	**-**	**1,696,765**	**912,239**	**564,036**	**206,331**	**22,057**
Cumulative Funding Gap		**1,696,765**	**2,609,004**	**3,173,040**	**3,379,371**	**3,401,428**
Funding Gap Projections:						
Council Tax (assumes 3.5% increase)		1,617,795	828,144	474,568	111,228	(78,951)
Cumulative Funding Gap		1,617,795	2,445,939	2,920,507	3,031,735	2,952,784
Council Tax (assumes 5.0% increase)		1,499,338	699,035	334,080	(41,404)	(244,541)
Cumulative Funding Gap		1,499,338	2,198,373	2,532,453	2,491,049	2,246,508

3.4 The key assumptions for the preparation of these projections are explained below.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

4. Key Assumptions

General

4.1 The net cost of services has been estimated by using the ‘approved’ 2010/11 base budget (subject to council approval on 12th February 2010) as the base for future projections through to 2015/16.

4.2 General Inflation on supplies and services, energy costs, and non-domestic rates has been projected based on previous detailed information. Gas and electricity prices will remain static until the contracts come up for renewal at the end of October 2011. Currently, it is not anticipated that the council will be subject to significant price rises at this time given that prices were at their peak when the last contracts were tendered. Obviously there are no guarantees given that prices are entirely market driven but the feedback coming from the company that run the council's tender have been positive in this respect.

4.3 The retail cost of fuel is heavily linked to the global cost of oil and the Dollar/Sterling exchange rate. The recent high global cost of oil has now been mitigated somewhat and current prices, although still fluctuating, are below their peak of 2008.

4.4 Major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement.

Employee related costs

4.5 In line with the pre-budget report (PBR) a 1% cap on public sector pay settlements in 2011/12 and 2012/13 are factored into the projections. Pay settlements for the years 2013/14 to 2015/16 are estimated to be 2% per annum. An additional 0.5% increase in employer national insurance contributions has been applied from April 2011.

4.6 An allowance has also been included for incremental progression in 2011/12 as a result of single status. The net cost of service assumes an employee turnover saving of 3% of gross pay budget.

4.7 The council is part of the Gloucestershire Pensions Fund, which is administered by the County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary.

4.8 The most recent triennial revaluation of the Fund was based on the position as at 31st March 2007, the results of which were formally published on 31st March 2008. The valuation found that the Fund’s objective of holding sufficient assets to meet the estimated current cost of providing members’ past service benefits was not met at the valuation date.

4.9 Contribution rates are calculated on an individual basis for each participating employer. For the council’s element of the Fund, the funding level was assessed at 75.3% (compared with 68.4% in 2004), with a shortfall of £34.6m. The fund actuary is aiming for this deficit to be recovered over a 20 year period, giving a target contribution rate for the council (for this three-year valuation period) of 25.0%. This consists of:

- a 14.65% future service rate which should cover the liabilities scheme members build up in the future, plus

- a 10.35% past service deficit contribution to cover the shortfall in the fund.

4.10 The net pension fund liability as at 31st March 2009 is £37.081m as reported in the 2008/09 Statement of Accounts.

4.11 In order to smooth out the impact on taxpayers for the increase in contributions, an earmarked reserve is used to phase in these increases.

4.12 The council receives an annual report which projects the pension fund position forward taking into account changes in both member profile and performance of the fund. The latest report, which provided a position statement to August 2009, suggested that due to the significant fall in the stock markets and the expectation of increasing inflation, the funding level has dropped from an estimated 75.3% at 20th March 2007 to 53.4% at 28th August 2009.

4.13 The PBR announced reforms to public service pensions from 2012/13 onwards whereby employer contributions to local government pensions will be capped. Cost increases below the cap will be shared equally between employers and employees, and those above the cap met solely by employees. The Government also expect those earning the highest salaries to pay a greater contribution towards their pension. It is unclear at this stage what cap will be set and we await further confirmation from the Government.

4.14 Following recent events, the Section 151 Officer has discussed the current position with the actuary who has indicated that, given the uncertainty over this area of activity future projections of potential increases in contributions are based on 2% per annum over a 3 year period from 1st April 2011 (i.e. 6% overall) are still a reasonable set of assumptions to make.

Landfill Tax

4.15 Central Government has applied a cost escalator for landfill tax which increases the cost of commercial waste disposal by £8 per tonne, year on year until 2012/13. Although factored into the projections at £40,000 per annum, it is worth noting that all commercial operators will face the same cost challenge. It is not unreasonable, therefore, to expect the market to stand an above inflationary increase in fees to cover this additional cost. This does not give the Authority a disadvantageous cost structure compared with the local competition.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

DEFRA funded vehicles

4.16 In 2005 DEFRA funded the acquisition of 3 refuse collection and recycling vehicles. The working life of the vehicles has been extended and is now due for replacement in 2012/13. The MTFS assumes a sum to fund the leasing cost of their replacement.

Flood Resilience

4.17 The council was successful in applying for a one-off grant to deal with restoration work following the July 2007 floods. In setting the 2009/10 budget, the Cabinet decided that £90,000 of the grant should be earmarked for the maintenance of watercourses, streams and ditches over a three-year period. Given the desire to ensure maintenance continues, funding will need to be built into the base budget from 2012/13.

Fees and Charges

4.18 A general assumption for a 2.5% increase in fees and charges has been factored in, but reviews of all charges are required annually by Service Managers.

Treasury Management

4.19 Investment income from cash investments falls over the MTFS period. This trend was acknowledged in the previous MTFS and is largely due to cash balances (i.e. ear-marked reserves) being consumed, essentially to finance the council's capital programme and to fund property maintenance, single status and increased pension contributions. Whilst there is an option to take out prudential borrowing, it has been assumed for MTFS purposes that the capital programme will continue to be financed from capital receipts, grants (including S106 developer contributions), and revenue contributions and that borrowing will only take place if absolutely necessary.

Minimum Revenue Provision

4.20 In light of the most recent developments surrounding the likely returns from Icelandic investments, the council has applied for capitalisation direction of £4.430m which will allow the council to spread any potential losses over 20 years. The annual cost to the council (known as the Minimum Revenue Provision) is £221,500 and is likely to impact on the councils budget from 2011/12. The interim budget proposals for 2010/11 have already set aside £75,000 towards this provision and the remainder has therefore been factored in as a cost in 2011/12.

Capital / Property Maintenance

4.21 Current projections (as detailed in the amended 20 year maintenance programme) indicate a requirement to fund property maintenance of circa £1.4m per annum from revenue contributions which will be achieved in 2014/15.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

4.22 A review of capital commitments in 2008/09 also indicated a requirement to fund a capital programme of £700,000 per annum from revenue contributions which will be achieved in 2011/12.

Government Support

4.23 The main issue in terms of funding availability is the estimation of the level of Government grant which the council will receive. Although this has been set for the period to 2010/11 as part of the Comprehensive Spending Review 2007 (CSR07), future settlements may impact on effective longer-term financial planning and sustainability.

4.24 For the purpose of projecting the funding gap, it is estimated that the level of government grant and share of the national non domestic rates pool will decrease by 10% in 2011/12 with a further 5% reduction in 20012/13 (i.e. a 15% reduction overall) for the period of the next spending review (CSR10). Following the PBR it is still unclear what level of cuts will be made and when they will impact.

Council Tax

4.25 Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates. This is assessed annually although the current economic climate could have an adverse impact on this source of one off funding and therefore no increases have been assumed for the period covered in this MTFS.

4.26 The taxbase represents the total number of chargeable properties in the borough, expressed as band D. The net budget requirement is divided by the taxbase to calculate the level of council tax for band D each year. The council's taxbase is estimated to increase by 100 each year for the purposes of the MTFS. This is a lesser increase than in recent years and reflects the slowdown in the housing market and the reduction in the number of new properties being built.

Funding Gap

4.27 The projected funding gap assuming a 2.5% increase in council tax presents a significant challenge for the council. The latest projections indicate a gap of £2.119m assuming a 'standstill' position in central government funding. The improvement in the baseline 5 year projection reflects the following:

- impact of capping pay increases on pay
- delivery of the BtG programme savings in the earlier years
- achieving the target annual funding level for property maintenance

4.28 Clearly, a 15% cut in central government funding will impact significantly on the funding gap and increase it to £3.4m over the period covered by this MTFS. Conversely, an economic recovery would help to close the gap.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

5. Strategy for ‘bridging’ the projected funding gap

5.1 The council could reduce the projected funding gap by increasing council tax above 2.5%. Council tax increases of 5% would generate an additional circa £200,000 per annum although this approach would be unpopular in the current economic climate.

5.2 The council has identified a number of work-streams which form the longer term strategy for ‘bridging the gap’ which are detailed below.

5.3 Service Reviews and Benchmarking

5.3.1 The council is keen to ensure that services are of the highest quality and lowest cost. Understanding the council’s own costs and how they compare with others is key to achieving this. Many of the council’s services undertake annual benchmarking exercises using statistical data and analysis that already exists, e.g. Chartered Institute of Public Finance and Accountancy Statistical Information Service (CIPFA S.I.S.) statistics and benchmarking clubs.

5.3.2 The council is keen to see all services benchmarked but recognises the volume of work required to continually do so. In preparation for the 2010/11 budget, the programme of benchmarking services concentrated on corporate or ‘back office’ services and future years will be programmed to ensure that all services are captured over the MTFS.

5.3.3 These service reviews will also be used to identify the potential for above inflation increases on the council’s current range of fees and charges and help to identify new sources for charging. Officers will need to examine the council’s commercial activities to ensure that it is maximising opportunities and to ensure its pricing policy will generate the greatest return.

5.3.4 Through the course of these reviews the council will need to ensure that it has the resources to deliver its ambitions. For example, Cheltenham has one of the highest spends per capita in England for provision of arts and culture. Whilst benchmarking data may suggest this area should be scrutinised for savings, the council will need to consider the social and economic wellbeing of the town and the cross cutting impact that arts and culture has on our key community objectives.

5.4 Asset Management

5.4.1 The council has a significant property portfolio including some key public buildings which place significant pressure on the council’s budget and represents a significant cost to the tax payer. Annually the council is planning to increase its budget by some £200k (equivalent to 2.5% council tax) in order to pay the annual cost of around £1.4m on the maintenance of public buildings.

5.4.2 The council is aiming to reduce the net cost of the council’s property portfolio through increasing income streams or reducing management and operational costs of the council’s property portfolio. The council is in the process of preparing an updated Asset Management Plan for consideration which will outline the council's strategic approach to asset management.

5.4.3 A review of the asset base could identify potential property disposals which will both raise capital resources (capital receipts) and reduce the incidental costs of holding properties (e.g. on-going maintenance costs, business rates, etc). Similarly, vacant properties are being reviewed to identify alternative uses that might better support the council's business plan objectives and generate an income. It is worth noting however, that it has proved difficult to release savings from property rationalisation in the current economic climate.

5.4.4 Given the reducing level of the Capital reserve, it is proposed that future asset sales (capital receipts) will be used to support the capital programme and civic pride rather than be used to pay off debt and marginally reduce the cost of financing the amount of minimum revenue provision set aside by the council.

5.5 Procurement

5.5.1 Historically, the council has already set a challenging savings target for the procurement function. The Procurement Manager has been extremely successful in delivering cashable savings through negotiating preferential contracts. The council is robust in ensuring that these savings are removed from budgets and the resulting money used in priority areas or recycled as cashable savings. The council has also been instrumental in leading on procurement activity at a district council level in Gloucestershire and colleague councils have benefited from the negotiation of corporate contracts by the CBC procurement officer. The council has also embraced some of the less traditional procurement routes, i.e. reverse auctions which have resulted in further savings being achieved.

5.5.2 The council is well aware of best practice in procurement and keen to explore the benefits which processes such as category management can deliver. As well as delivering cashable savings arising from more cost-effective buying, category management supports a commissioning approach and delivery of excellent services. The council is also involved in discussions with a number of potential partners concerning shared procurement activity but these are currently at a very early stage.

5.5.3 Recently the council has secured the offer of a loan of £80,000 from the South West Regional Improvement and Efficiency Partnership (RIEP) to develop and prove a pragmatic approach to category management which could be adopted by other District Councils.

5.5.4 The detailed spend analysis and category management principles developed by this project will put the council in an excellent position to develop the procurement function further by looking at shared services opportunities, and challenging the private sector to find additional savings.

5.6 Service Improvement through 'Systems Thinking'

5.6.1 The council has adopted a strategy for improving service delivery by:

- designing the service to meet customers needs and expectations, and
- optimising the realisation of cashable efficiency gains by removing failure demand and waste from the system

5.6.2 The principal aim of the work is to examine how services are provided in order to seek improvements and efficiencies and reduce costs through the use of 'systems thinking' analytical approaches. This has also been very successful with 'interventions' in a number of areas which have resulted in more efficient services and are projected to deliver savings in the process.

5.7 Shared Services

5.7.1 There has been major progress in the establishment of shared service arrangements with some significant achievements being made over a relatively short period of time. Recently the council has established a shared audit service with Cotswold District council and shared Legal and Building Control services with Tewkesbury Borough council.

5.7.2 A more significant and complex piece of work, the 'Corporate Services Sourcing Strategy' was undertaken which investigated the 'sourcing' of key corporate services including Finance, Human Resources, Customer Services, Revenues and Benefits, procurement and ICT. Included within this, is the development of a business case for a shared Enterprise Resource Planning (ERP) system to replace individual payroll, HR and finance systems in 7 district councils (the other 6 districts in the county plus West Oxfordshire District Council) with one system which could be a platform for a shared service for Finance and HR across these 7 districts. This project is called GO7.

5.7.3 The business cases for each of these service areas was approved by the by council on 14th December 2009. The proposals require up front investment of £785,000, of which the council has already earmarked £200,000 (Financial outturn 2008/09 report to council - June 2009) which is reflected in the Cabinet's interim budget proposals for 2010/11. It is anticipated that this will deliver annual savings equating to c£890,700 once all of the work streams are complete. Hence this makes a significant contribution to the BtG programme.

5.8 Other Future Options

5.8.1 As part of the BtG work, the Senior Leadership Team was asked to consider the implications in their services of a 20% cut in order to generate ideas. The Cabinet have considered a number of other options put forward and have included, as part of the interim budget, a list of areas for future consideration. These options have not been approved by the present Cabinet during this budget round but will need to be considered by any future administration and some cross party working.

5.8.2 'Invest to save' initiatives will be encouraged to ensure long-term efficiencies in service delivery and value for money are delivered. These initiatives may well require some up-front capital investment, the criteria for which are outlined in the capital strategy which was approved by council in February 2009.

5.8.3 Over the last 2 years the "bridging the gap" programme has been successful in delivering savings to close the budget gap without any detrimental impact upon service delivery. However, the unprecedented financial pressures now being faced by the council, and outlined in this MTFS, require a different strategy to be adopted to service design and delivery. The objective of adopting a different approach is to deliver the best outcomes for individuals and communities in the context of the MTFS. When services are redesigned it is important that citizens, service users and council tax payers are the focus and to this end the council is working towards becoming a commissioning council adopting a strategic commissioning approach.

5.8.4 Strategic commissioning is not a new idea; the NHS has been using commissioning extensively for many years and legislation particularly in the social care and children's service areas has moved service design to embrace a commissioning approach. Commissioning is defined by the Cabinet Office as "the cycle of assessing the needs of people in an area, designing and then securing appropriate service". Commissioning requires better partnership/cross agency working, prioritisation to ensure resources (finance, people and assets) are used to best effect to deliver clearly defined outcomes which all parties to the commissioning approach are aligned behind. Commissioning judgements will be made transparently and objectively with a focus on outcomes leaving the method of delivery to the provider of the service. By adopting this strategic approach services will be transformed, where warranted, and may not necessarily as at present be provided through a directly employed workforce; a mixed economy (sharing services, outsourcing, creation of "not for profit" vehicles, third sector) approach to delivery of services may result. The key tests for commissioning will be good quality services, with outcomes for the citizen and community at the heart of their provision and which have long term financial viability.

5.9 The Residual Funding Gap

5.9.1 Taking into account that the identified work-streams are delivered throughout the period covered by this MTFS, the projected residual funding gap (assuming a 2.5% increase in council tax annually) is shown below in Table 2.

Table 2: Projection of Residual Funding Gap

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Projected Funding Gap @ 2.5% Council Tax (Table 1)	**1,696,765**	**912,239**	**564,036**	**206,331**	**22,057**
Identified Work-streams					
Service Reviews	(85,100)	(5,000)			
Asset Management	(52,500)	(40,000)	(20,300)	(32,000)	
Shared Services	(153,400)	(150,400)	(234,200)	(15,000)	(53,400)
Service Improvement	(18,300)	(2,000)	(14,100)	(2,000)	
Procurement	(120,000)	(100,000)			
Freeze on Members Allowances	(9,900)	(10,300)	(10,600)	(11,200)	
Projected Residual Funding Gap	**1,257,565**	**604,539**	**284,836**	**146,131**	**(31,343)**
Cumulative Projected Residual Funding Gap	**1,257,565**	**1,862,104**	**2,146,940**	**2,293,071**	**2,261,728**

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

5.9.2 It should be noted that the current MTFS does not assume any recovery in the current economic climate and therefore, the view could be taken that the current MTFS predicts the worst case scenario.

5.9.3 The council is seeing the impact of the economic downturn on many services. As the economic crisis has deepened, the council has witnessed a more significant reduction in income levels for many of its service areas resulting in the need to revise income estimates further downwards. The income from development control, property rentals, land charges and recycling has declined to unprecedented levels.

5.9.4 In addition, the Bank of England base rate cut to 0.5% has resulted in a significant reduction in the base budget for investment interest.

5.9.5 Recovery within the economy over the course of the current MTFS would obviously assist in closing the projected funding gap although some costs (e.g. pay awards) may also increase.

5.9.6 The recent announcement by the government relating to the administration changes for concessionary fares will reallocate the responsibility for this service from District and Borough Councils to County Councils on 1st April 2011. The reallocation of revenue support grant funding will be consulted on in July 2010. At this stage, although clearly Cheltenham would no longer be responsible for paying for the statutory scheme and would lose the current specific grant element for the funding of the free national scheme, it is not clear how much revenue support grant will be lost as a result of this transfer of duties. The best case scenario would result in the council losing the identifiable allocations of revenue support grant and specific grants which currently total £1.05m. Given that the current expenditure incurred by the council for this scheme amounts to £2.2m, the best case scenario would result in the council benefiting to an amount of £1.15m.

5.9.7 The issue is further complicated by the potential need to provide database information, currently held locally, other administrative aspects of the scheme (i.e. card issuing/replacement) which may or may not be sub-contracted back to local level and the cost impact of any discretionary elements of the scheme which the county council may not wish or be able to fund i.e. 9:00am start time and companion passes. For planning purposes, it is assumed that the best case scenario would result in the council benefiting to a sum of £500,000.

5.9.8 For the purpose of modelling different planning scenarios (i.e. best case scenario) Table 3 assumes that the economy recovers by 2011/12 with the recovery of income levels to 2007/08 levels and investment income obtaining a return of at least 5%.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

Table 3: Projection of Residual Funding Gap / (Surplus) - best case scenario

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Projected Funding Gap @ 2.5% Council Tax	**1,696,765**	**912,239**	**564,036**	**206,331**	**22,057**
Identified Work-streams					
Service Reviews	(85,100)	(5,000)			
Asset Management	(52,500)	(40,000)	(20,300)	(32,000)	
Shared Services	(153,400)	(150,400)	(234,200)	(15,000)	(53,400)
Service Improvement	(18,300)	(2,000)	(14,100)	(2,000)	
Procurement	(120,000)	(100,000)			
Freeze on Members Allowances	(9,900)	(10,300)	(10,600)	(11,200)	
Concessionary Fares	(500,000)				
Economic Recovery					
Recovery of Income levels		(200,000)	(200,000)		
Additional Investment income			(130,000)		
Projected Residual Funding Gap / (Surplus)	**757,565**	**404,539**	**(45,164)**	**146,131**	**(31,343)**

6. Financial Projections – Capital Resource Requirements

6.1 The council's capital strategy is geared towards ensuring the maximisation of resources available to the council.

6.2 The council has budgeted to make a revenue contribution to capital outlay (RCCO) Capital Reserve of £625,000 in 2010/11 which is planned to increase by £75,000 in 2011/12 within the current MTFS. This reserve funds part of the capital programme which generally consists of 3 areas of expenditure (i) replacement of play equipment (ii) replacement of CCTV equipment and (iii) mandatory costs of disabled facilities grant, totalling £500,000. Assuming additional one off schemes of circa £200,000, the council has an approximate capital programme to be funded from RCCO of £700,000 annually. Within the current MTFS, this level of RCCO will be achieved by 2011/12.

6.3 The remainder of the capital programme is funded from other sources e.g. specific grants. In order to progress new capital schemes not already identified within the MTFS, the council will need to prioritise the use of available resources detailed in the Capital Strategy which could involve the disposal of existing assets or prudential borrowing on a scheme by scheme basis.

7. Financial Projections - Reserves

7.1 A review of earmarked reserves in February 2009 resulted in an increase to the General Reserve. This reserve is held to protect existing service levels from further fluctuations in interest rates, potential implications from the Icelandic banks situation and reduction in income levels as a result of the economic downturn

7.2 External factors such as the flooding in 2007 and the problems experienced by the global financial markets in 2008 have highlighted the importance for authorities to maintain an appropriate level of reserves. This has prompted CIPFA's Local Authority Accounting Panel (LAAP) to issue a bulletin on local authorities' reserves and balances.

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

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

7.4 The council has benefited from a strong economy over a number of years which has enabled it to earmark significant funds to specific reserves. These have been reviewed twice yearly by full council under the guidance of the Chief Finance Officer.

7.5 Over the course of this MTFS, a number of earmarked reserves will be depleted as they are used to finance planned expenditure e.g. implementation of single status and the phasing of increasing employee pension costs.

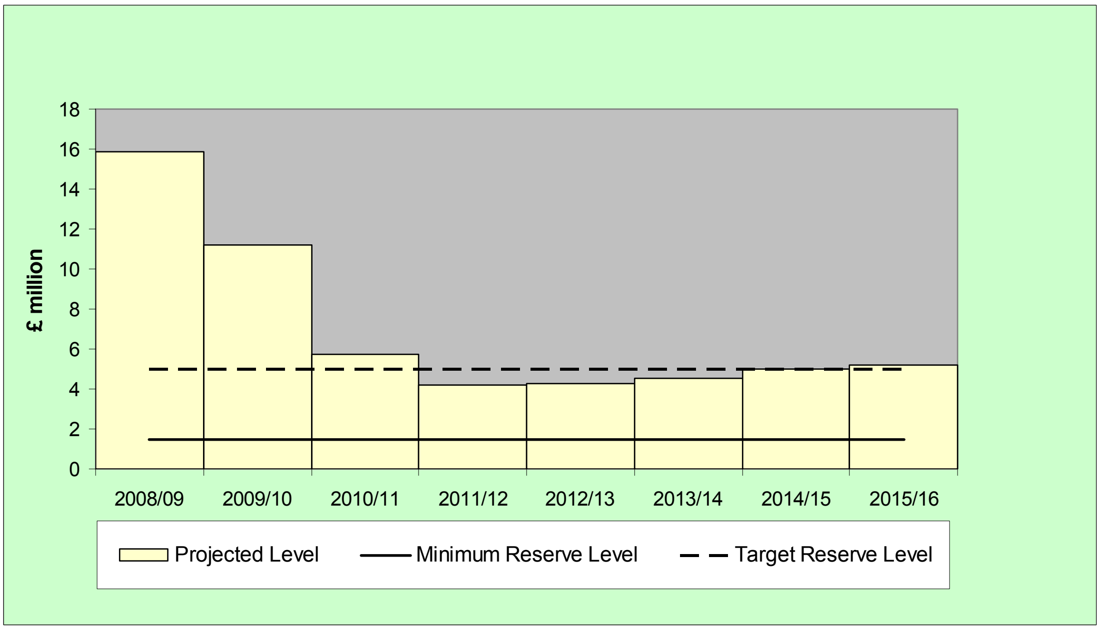
7.6 It is also the case that reserves used to finance the capital programme and property maintenance will reach the levels required to fund existing commitments within this MTFS.

7.7 The proposed net budget requirement for 2010/11 is £16,753,397, which includes a net use of reserves of £634,853. When taking into account revenue contributions used to fund the capital programme in 2009/10 and 2010/11, the net reduction in the level of reserves held by the council is projected to be £10,105,953 by 31st March 2011 (in comparison to the level of reserves held as at 31st March 2009).

7.8 The projected position for General Fund reserves to 2015/16 is shown below in Table 4:

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

Table 4: General Fund Reserves Projection 2008/09 to 2014/15



7.9 The Chief Finance Officer has maintained in the past that General Reserves should be maintained in the range of £1m to £1.5m. In view of the current economic climate, the risks associated with holding Icelandic investments, and the position in respect of the council's former Managing Director, it is now the view that this minimum range should be raised to £1.5m to £2m. In order to ensure that the council holds significant reserves to cover the purposes for holding reserves (as outlined in 7.4) a target projected reserve level of £5m has been set.

7.10 The projection shown in Table 4 is important as it demonstrates that the uneven impact of unavoidable cost pressures (e.g. single status, pension costs) can be handled, whilst providing temporary use of reserves to support the budget if required.

7.11 The graph demonstrates that the level of reserves held over the course of the MTFS is projected to fall to circa £4.2m in 2011/12 but gradually rising to the projected target of £5m by 2014/15.

7.12 Risk analysis and a determination of the adequacy of the level of reserves will remain a key element within the Chief Finance Officer's annual section 25 report, in conjunction with the final budget proposals.

8. Working in Partnership

8.1 Partnerships form the basis of an increasing range of the council's services and extend from joint activities within a loose working arrangement to complex and formally structured vehicles for service delivery.

8.2 The council welcomes the opportunity to work with partner organisations to deliver our proposed outcomes as this adds value for the taxpayers of Cheltenham but will always seek to ensure that the:

- Financial viability of partners is assured before committing to an agreement
- Responsibilities and liabilities of each of the partners is clearly understood by parties to any agreement;
- Accounting arrangements are established before any payments are made; and
- Implications of the terms and conditions of any funding arrangements are considered before any monies are accepted.

8.3 Cheltenham Strategic Partnership (CSP)

8.3.1 CSP brings together core partners, thematic partnerships, community and voluntary sectors. The aims of the CSP are:

- To be the partnership of partnerships for Cheltenham, providing strategic co-ordination, ensuring linkages with other plans and bodies established at the regional, sub-regional and local level and agreeing a community strategy that sets the vision and priorities for the area and gaining consensus about the way forward.
- To develop and drive the effective delivery of the sustainable community strategy action plan through effective performance management and holding delivery partners and partnerships to account.

8.3.2 The council commits £15,000 pa to support the work of the partnership and to enable it to deliver commitments in the sustainable community strategy.

8.4 Cheltenham has a clean and well-maintained environment

8.4.1 The council works with a range of community-based organisations to promote a clean and well-maintained environment;

- We work with the Tidy Cheltenham Group to promote a clean environment.
- We work with Cheltenham in Bloom to promote awareness of the importance of Cheltenham's floral heritage amongst the borough's residents and businesses and to involve the community in celebrating the borough's beauty.
- We work with local communities to attain green flag status for local parks

8.5 Cheltenham's natural and built environment is enhanced and protected

8.5.1 We are working in partnership with Gloucestershire County Council and the South West Regional Development Agency (SWRDA) to coordinate the civic pride project that will result in significant investment into the borough to secure its longer-term economic success whilst improving its look, its ambience and its associated transport infrastructure.

8.5.2 We now share our building control service with Tewkesbury Borough Council to reduce overheads.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

8.5.3 We have developed a joint approach to our strategic planning function with Tewkesbury and Gloucester City councils which is sharing posts, resources and budgets.

8.5.4 Together with Cheltenham's Home Improvement Agency we provide renewal funding to help improve the quality and safety of private sector housing.

8.5.5 We provide funding to support the County Council's highway tree planting programme throughout the borough.

8.6 Carbon emissions are reduced and Cheltenham is able to adapt to the impacts of climate change

8.6.1 The council supports partnership working in the county through the Gloucestershire Waste Partnership and has adopted a county wide Joint Municipal Waste Management Strategy. It has also signed a memorandum of understanding with Tewkesbury and Cotswold district councils to progress towards shared service delivery in waste management by April 2012. This will be achieved in a structured and incremental way with progress dependant on individual authority agreement at key milestones.

8.6.2 The council also works in partnership with Vision 21 Gloucestershire, an independent registered charity that provides support and information about climate change and sustainable development, to promote sustainability and responsible waste management. A key feature of this partnership is the recruitment of 56 active volunteers as Community Recycling Champions who promote waste reduction, re-use and recycling within their local community.

8.6.3 The council contributes £5,200 per annum to support the work of the Low Carbon Partnership which is focusing on reducing carbon emissions from energy and transport use and brings together partners from public, private and voluntary sectors. The partnership agrees an annual collective carbon reduction target for its members and has just signed up to 10:10..

8.6.4 We are working with Gloucestershire's district councils and the county council to assess how climate change will impact on our services and how we will need to adapt our services to cope with these changes.

8.6.5 We work with Severn Wye Energy Agency and the other Gloucestershire councils to run the award winning "Warm and Well" scheme which funds energy efficiency measures and renewable energy installations in people's homes.

8.7 Cheltenham has improved access and travel options

8.7.1 The council is a member of the Gloucestershire County Council's countywide concessionary travel scheme for 2009/10. This scheme now allows for national free travel which is an expansion of the arrangements as operated during 2007/08 where free travel was limited to within Gloucestershire and certain cross boundary routes only. The cost allocations for the countywide scheme for 2009/10 onwards are controlled by the consultants (JMP) providing the administrative support for the County Council acting in its capacity as the administering authority.

8.7.2 The increase in demand for travel, and hence cost, that has been experienced over recent years has been a reflection of many issues including the transition from half-fare schemes through full-fare local schemes into a fully free national scheme as determined by Central Government. The authority is free to offer enhancements to the scheme which it currently does through its travel companion and Taxi Voucher schemes.

8.7.3 £525,000 additional funding was provided by Central Government to cover the costs of migrating from local full-fare schemes to the national full-fare scheme throughout England in 2008/09. This figure was increased in 2009/10 to £537,000 and will further increase in 2010/11 to £552,000. From 2011/12 onwards it is proposed to relocate the administrative and financial responsibilities for Concessionary Fares from District and Borough Councils to County Council's. This will align with the start of the next three year settlement period.

8.7.4 The council works closely with the Highway Authority, Gloucestershire County Council, and its delivery arm, Gloucestershire Highways, to enhance and maintain the street scene. In recognition of the added value that Cheltenham Borough Council can deliver to street scene services a highway agency agreement for grounds maintenance was adopted in April 2008, with the Borough carrying out a range of services on behalf of the County and match funding the replacement programme for street trees

8.8 Cheltenham is able to recover quickly and strongly from the recession

8.8.1 The council has 15 service level agreements in place with a range of partners to secure delivery of its economic development strategy worth over £240,000; significant SLA's include those with Gloucestershire First, Adult Education department of Gloucestershire County Council and Severn Wye Energy Agency.

8.9 We attract more visitors and investors to Cheltenham

8.9.1 We work with the Cotswold and Forest destination management organisation to ensure that there is a coordinated approach to promoting the county.

8.10 Unemployed people are able to access employment and training

8.10.1 We work in partnership to facilitate activities that will help people move off benefits and into employment.

8.10.2 We work in partnership through the Public Sector Employment Partnership to develop a range of workforce development initiatives such as improved NVQ training and the apprenticeship scheme.

8.10.3 We work through Gloucestershire Education Partnership to provide staff volunteers to work with local schools to provide advice to future school-leavers.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

8.11 Communities feel safe and are safe

8.11.1 Tackling crime is consistently the highest priority for our residents and the council invests significantly in this work. It directly employs three officers who support the work of the community safety partnership, including our anti-social behaviour officer, but also supports a number of other council services that meet the aims of the partnership such as Cheltenham Safe, street cleaning, graffiti removal service and summer holiday playschemes.

8.11.2 This work secures additional funding which comes from area-based grant allocated through the Gloucestershire Local Area Agreement; which in 2009/10 was £25,000 for anti-social behaviour grant and £30,000 revenue. The £25,000 ASB grant allows the council to deliver a range of activities in partnership with others including working with a police officer who is seconded to the council to support the ASB work.

8.11.3 We also work with Gloucestershire County Council to ensure investment into keeping our children and young people safe. The county council allocated a sum of £20,000 in 2009/10 to our children and young people's partnerships to support an integrated "youth offer" which is about ensuring young people have access to services, facilities and information and support. The council also allocated £30,000 to a range of partnership projects that will tackle child poverty in our most deprived communities.

8.12 People have access to decent and affordable housing

8.12.1 The council has over 4,500 properties which are managed by Cheltenham Borough Homes which is our Arms Length Management Organisation (ALMO) under the terms of a management agreement. It is a company limited by guarantee, with the council as the only guarantor. The council has continued to enable the delivery of affordable homes through the Cheltenham and Tewkesbury Housing Market Partnership which has delivered 20 affordable homes since 1st April 2008. We are on track to deliver over 40 homes in the financial year.

8.12.2 We work in partnership to increase the number of older and vulnerable people supported to live independently at home through supporting commissioning housing related support and the home improvement agency service.

8.12.3 We work with Severn Wye Energy Agency to promote energy efficient homes and tackle fuel poverty.

8.12.4 We also work with the 5 other districts in Gloucestershire on a joint approach to allocating social housing through Gloucestershire Homeseeker.

8.13 People are able to lead healthy lifestyles

8.13.1 Under Section 31 of the Health Act 1999 health and local authorities are encouraged to work together to improve the lives of residents. Gloucestershire PCT and the council jointly-fund a Healthy lifestyles development officer who delivers a programme of activities in the borough to improve their health and wellbeing. The PCT also committed £25,000 in 2008/09 to the CSP to reduce health inequalities in Cheltenham.

8.13.2 The council also supports the Cheltenham Community Sport and Physical Activity Network (CSPAN) which is a multi agency steering group that delivers projects to improve the health and well-being of residents in Cheltenham.

8.14 Our residents enjoy a strong sense of community and are involved in identifying and resolving local issues

8.14.1 We recognise that the Voluntary Sector is central in creating strong communities both through larger voluntary sector organisations which provide services to communities and the wide range of local community groups and organisations.

8.14.2 Consequently we provide a range of grant funding to Voluntary Sector partners who are able to deliver cost effective services to their communities, including Cheltenham Voluntary and Community Action (CVA) which is responsible for co-ordinating and representing the voluntary sector in the town.

8.15 Arts and culture are used as a means to strengthen communities, strengthen the economy and enhance and protect our environment

8.15.1 The council has committed £2m (in addition to £500,000 already earmarked from the sale of the Axiom) to secure the improvement of Cheltenham Art Gallery & Museum. This has levered in a grant of £750,000 from a Charitable Trust. With these financial foundations, we can now move forward towards planning approval and further fundraising. Subject to these, it is hoped to begin building work in 2010 with a total budget estimated at £6.3m.

8.15.2 The council has a service level agreement with Cheltenham Festivals (CF) to provide four annual festivals of jazz, science, music and literature. The programme of festival activity includes a wide range of community and educational activities within Cheltenham, concentrating particularly on the most disadvantaged communities. An annual grant of £109,200 has been allocated to CF to support this provision for the three years 2008/09 to 2010/11. In addition, the council provides annual in-kind support to CF, totalling £190,000 in 2009/10.

8.15.3 The council has also allocated additional grant of £500,000 over the period 2007/08 to 2009/10 to support CF in becoming independent from the council, delivering a viable future for CF by March 2010 and protecting and enhancing Cheltenham's cultural provision.

8.16 The council delivers cashable savings, as well as improved customer satisfaction overall and better performance through the effective commissioning of services

8.16.1 The council is working with other district councils to help realise the cost savings from sharing services. We have already launched shared services for Audit (with Cotswold District Council), Legal Services and Building Control (both with Tewkesbury Borough Council).

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

8.17 Infrastructure Delivery Planning

8.17.1 A key work stream within the context of partnership working over the period of the MTFS is the preparation of a strategic infrastructure delivery plan for Gloucestershire. The primary objective of this work is to deliver the infrastructure required over the next 15-20 years to support the development needs of Gloucestershire and support the visions of sustainable community strategies. This will require joint working across public sector organisations to release added value in capital projects and other public sector investment. This may have implications in the future development of the Capital Strategy.

9. Areas of Uncertainty associated with the MTFS

9.1 The review has also highlighted a significant number of areas where the impact on revenue spending cannot be quantified with sufficient accuracy, at this point in the process. These have been included as 'Uncertainties associated with the MTFS' and these areas will form the basis for ongoing review through the period of the 2011/12 budget process.

VAT on Car Parks

9.2 The Isle of Wight (I.O.W.) local authority, along with three others, successfully argued at a VAT Tribunal, that they should not have to charge VAT on off-street car parking. This was principally on the basis that it would not, despite protests by HM Revenue and Customs (HMRC), create a significant distortion of competition (a key factor in determining VAT liability).

9.2.1 The Tribunal considered the implications of these local authorities not charging VAT by looking at the effect on their pricing policies, on customer usage and on potential private providers. It found that prices were set at levels to either stimulate customer numbers or discourage car use; were generally below those set by the private sector and were not an overriding factor in customers choosing where to park (they would park nearest to the facility they needed rather than choosing solely on price). It could not find any evidence of distortion of competition in respect of the local authorities represented at the Tribunal.

9.2.2 In conclusion it was unlikely that a change in VAT liability would result in either a change in price or parking policies.

9.2.3 In anticipation of HMRC being compelled to change the VAT liability of off-street car parking for all local authorities, from 'standard rate' to 'non-business' (i.e. no VAT chargeable), Cheltenham Borough Council, along with many other local authorities, under advisement, submitted repayment claims to HMRC requesting reimbursement of the VAT already paid on off-street car parking since 1998 (the furthest back allowed at the time).

9.2.4 Total claims lodged to that date amount to £5,040,484. Claims averaging circa £650,000 per annum for 2007/08, 2008/09 and the current year have yet to be submitted. Subsequent changes in the law have now allowed the council to go back even further - to the start of VAT in April 1973. VAT advisors have prepared a claim which has been submitted, and subsequently rejected by HMRC, pending the case's outcome. This claim amounts to £5,000,825 covering the period 1st April 1973 to 30th November 1996.

9.2.5 However, HMRC did not agree with the Tribunal decision and lodged an appeal to the High Court. This was heard in November 2006 and on 16th February 2007, the High Court decided to refer the case to the European Court of Justice (ECJ). The ECJ delivered its judgement on 16th September 2008 which was not favourable towards IOW. It focussed strongly on the issue of fiscal neutrality i.e. that two operators engaged in the same activity should not be treated differently in respect of levying a tax.

9.2.6 The matter has now been returned to the High Court which may refer the issue raised back to the Tribunal to reconsider.

9.2.7 This is clearly a situation which has the potential for significant revenue receipts for the council should HMRC lose their case. However, the ECJ's opinion does diminish the likelihood of success for the plaintiff councils.

9.2.8 Cheltenham Borough Council will continue to account for VAT on off-street car parking but will also continue lodging claims with HMRC for repayment, in order to protect its position.

Retrospective VAT Claims

9.2.9 Following a House of Lords judgement in January 2008, new legislation was introduced in the March 2008 Budget by HMRC, setting out the transitional period for which claims may be made for overpaid output tax (up to 4th December 1996) and under claimed input tax (up to 1st May 1997). The deadline for submitting claims was 31st March 2009.

9.2.10 The council enlisted the assistance of VAT consultants, LAVAT, in the preparation of claims in the following areas: off-street car parking (as previously mentioned), excess parking charges, domestic waste, and cemetery and crematorium supplies.

9.2.11 The claims netted the council £1.159m (including interest) and covered the period November 1996 to March 1973. £583k of this relates to the payment of 'simple' interest to the council on the principal amount.

9.2.12 The council is intending to prepare a further retrospective claim for overpaid VAT during the period December 1996 to March 2006, which currently falls outside HMRC's time limits. This has arisen from the Republic of Latvia arguing in the European Court that time limits are unlawful. A favourable result for Latvia would be applicable to the UK under European Law, hence Cheltenham Borough Council will submit an extended VAT claim to protect its position.

Compound interest claim

9.2.13 The 'Sempra Metals' case has been brought before the High Court to determine whether taxpayers should be entitled to compound interest on overpaid VAT. The High Court has agreed to this in principal but has allowed the six year time limit under the Limitation Act to stand meaning their claim falls out of time. However, the time limit point has been appealed to the Court of Appeal. A decision is due out on this in April 2010; however any decision favourable to the taxpayer will be appealed by HMRC.

9.2.14 Following the High Court's decision, the council has, under advisement, instructed DLA Piper to pursue a compound interest claim in the High Court. This follows claims being pursued by other local authorities, including Bristol City Council.

9.2.15 Should the council be successful in this claim, the initial interest payment of £583k would be repaid again, potentially two or three-fold.

Adequacy of Capital Resources and Property Repairs and Renewals Fund (Reserve)

9.3 The Chief Finance Officer has raised the issue of the long term financing of both the council's capital programme and 20 year Maintenance Programme on a number of occasions. The work to update the Asset Management Plan remains outstanding. This work should identify additional funding requirements over the coming years and may consider alternative forms of financing, including prudential borrowing.

Housing and Planning Delivery Grant (HPDG)

9.4 The Authority has been awarded £485,000 for 2009/10. This will push back the impact on the MTFS until 2015/16 for the potential financing of currently employed PDG employees. The current level of impact in 2015/16 is anticipated to be £150,000 per annum.

Recycling

9.5 Providing a kerbside collection of plastic bottles will have a positive impact on the council's recycling performance and can be achieved at nil cost. However, in the absence of a kitchen waste collection scheme the council will not achieve its strategic or business plan recycling targets.

9.6 The income generated from the sale of recyclate to recycling organisations is starting to recover following a revival in the market. The income budgets for 2010/11 have been adjusted to reflect these changes. Although there are indications that prices are beginning to recover the volatility in the market price for recyclate continues to fluctuate which makes estimating future trend income positions uncertain.

Off-Street Parking income

9.7 Income from off-street parking continues to fall. There are two income streams which form the majority of the budgeted income i.e. fees and fines. Whilst income from fees remains under pressure it is the income from fines which has declined most.

9.8 The level of fine income in 2005/06 reached a peak of £233k. Since that date the level of fine income has declined to the current year's anticipated level of £70k. The combination of income levels from fees and fines has resulted in an anticipated budget shortfall this year of circa £225k behind the base budget for 2009/10. It is likely that the adverse weather in the early part of 2010 has contributed a one-off £100k to this shortfall. However, this leaves a trend shortfall of £125k which needs to be addressed over the course of the MTFS.

Land Charges

9.9 The Environmental Information Regulations suggest that there is potential for approximately £90k of our current income stream to be lost following implementation of these Regulations. These regulations state that there is potentially no authority to charge for such information streams that may be deemed to be environmental in their nature. No time-table has been set for finalising this impact; however, it may be prudent to assume that the impact could occur as early as 2011/12. At this stage this is only an estimate of the likely position.

ICT Strategy

9.10 The council is currently updating its ICT strategy which documents the councils approach to delivering ICT solutions to support the delivery of key corporate strategies. This will include a costed plan which may have financial implications over the lifetime of the MTFS which will need to be taken into account when the MTFS is next updated.

2012 Olympics

9.11 The council is in the process of assessing the impact and opportunities arising from the 2012 Olympics in terms of adding value to existing service provision, maximising legacy i.e. making sure that clubs and facilities can cater for the enthusiasm generated by 2012; and managing the potential impact on infrastructure and services.

9.12 To complement this work the council committed £30,000 of the 2009/10 LAGBI allocation towards providing sport and play activities for young people in the run-up to the Olympics. Spread over three years, a range of programmes and events will take place throughout the town, which will expand and develop the youth focused sporting offer provided by the council's sports development team and Active Gloucestershire.

9.13 Furthermore, the recent successful CSPAN funding bid has secured funding from Sport England which will be used to provide a bursary scheme to support Cheltenham's gifted and talented athletes up until the 2012 Olympics.

Icelandic Banks

9.14 The council has £11m of investments with Icelandic banks which went into administration in October 2008. The council has logged claims for recovery of the deposits with the banks administrators, but has yet to be notified of the likely recovery rates or timescales. The MTFS assumes the impact of a worst case scenario based on best information available but the situation remains uncertain.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16

10. Risk associated with the MTFS

10.1 There are inevitable risks associated with the assumptions for both revenue and capital projections. Employee turnover may vary from that assumed with both financial and service consequences. Net expenditure may be more than has been assumed, either as a consequence of additional demand, e.g. for concessionary fares; reduced income following a fall in demand e.g. car parking; or for new responsibilities which are inadequately provided for within government grant.

10.2 On the capital side, major projects that require additional resources and rely on a level of new capital receipts may prove to be optimistic in the current economic climate.

10.3 Furthermore, the current MTFS assumes that the current system of local government funding will continue.

10.4 However, we now also need to consider additional risks associated with the wider economic situation. Inflation and interest rate assumptions may prove to be incorrect, although this has been factored in to some extent by assuming the worst case scenario.

10.5 The prospect of business failures and a reduction in available tenants may result in rent reductions or rent free periods in order to attract new occupiers to the council's commercial property portfolio.

10.6 It will continue to be necessary to review the MTFS each year and update it for latest information. In year budget monitoring is crucial to ensure that variances and trends are highlighted at the earliest opportunity.

11. Conclusion

11.1 The council has a track record of strong financial management but is now in a period of significant volatility and uncertainty. The council needs to plan now to ensure that its strong financial position continues throughout the period covered by this MTFS and beyond.

11.2 The development of this strategy for closing the budget gap is an important and on-going issue for the council.

Risk assessment of budget proposals 2010/11

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**	**Notes**
1.01	If the council is unable to come up with long term solutions which bridge the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision	Mark Sheldon	26 January 2010	3	3	9	R	Development of the BTG programme and establishing a cross party working group to consider some of the options as outlined in appendix D. Review of how the budget scrutiny process works and to engage with members of O&S earlier on some of the more challenging proposals.	Sept 2010	Mark Sheldon	Cross party discussions should ideally commence prior to the elections so that post elections a programme of proposals can be prepared ready for the budget strategy report in Sept 2010
1.02	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	Mark Sheldon	01-Dec-09	3	2	6	R	Robust forecasting is used to prepare the budget looking back on previous income targets and collection, and forecasts take into account the current economic situation. Professional judgement used on the deliverability of income targets. Once budget approved, regular monitoring of income targets will identify any issues and any corrective action which need to be taken and will be reported through the budget monitoring reports.	Ongoing during course of year	Mark Sheldon	
1.03	If when developing a longer term strategy to meet the MTFS, the council does not make the public aware of its financial position and clearly articulates why it is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease.	Jane Griffiths	01-Dec-09	3	3	9	R	As part of the development of BtG programme there will need to be a clear communication strategy. If the councils adopts a commissioning culture then it will be basing its decisions on customer needs and requirements and this should help address satisfaction levels	31-Mar-10	Communications team to support the BTG programme	
1.04	There is a reliance on shared services delivering savings. If these savings do not materialise or shared service projects do not proceed as anticipated then other savings will need to be found to meet the MTFS projections.	Pat Pratley	01-Dec-09	3	3	9	R	All shared services projects are operated under prince 2 principles, with clear business cases and risk logs are maintained for the shared service projects and regularly reviewed	Ongoing during course of year	Pat Pratley	
1.05	In the past the council has used in year savings to support one off growth to fund new initiatives or unpredicted expenditure. It is unlikely that moving forward over the life of the MTFS there will be such savings and if new initiatives or unpredicted expenditure arises then the dependency on the General Reserve will intensify.	Mark Sheldon	01-Dec-09	4	3	12	R	The bridging the gap programme should develop clear business cases for invest to save activities in 2011 onwards. Future capital receipts may be needed to galvanise the General Reserve.	01-Dec-10	Mark Sheldon (working with SLT and Cabinet)	

1.06	Icelandic banks – risks associated with this are included within risk assessment appended to the treasury management report to council										
1.07	If the DCLG does not allow the applications in 2009/10 from lthe council for capitalisation of the impairment charge in respect of potential losses of investments in Icelandic banks then it would be unable to spread the potential loss of £4.3m over twenty years and this would impact on the MTFS.	Mark Sheldon	01-Dec-09	4	2	8	R	Robust case to be submitted to DCLG outlining the councils budgetary position and the impact on the budget if no direction is given.	31-Mar-10	Mark Sheldon	
1.08	If the cuts in public sector expenditure are more that the 15% projected within the MTFS or if the phasing is sooner than predicted then the budget gap within the MTFS will increase	Mark Sheldon	26 January 2010	3	3	9	R	Ensure that the BTG programme continues it momentum and identifies savings	01 Dec 10	Mark Sheldon	
1.09	If the appeal case is found in favour of the former managing director or if there are subsequent further claims or actions from her then this will put increased pressure on the council's general reserves	Mark Sheldon	26 January 2010	3	3	9	R	Legal to provide evidence as required for the appeal.	Ongoing	Sarah Freckleton	
1.10	If the deal for concessionary fares with the bus operators is not realised as anticipated or negotiations do not reach a satisfactory conclusion then there is a risk that the council could face additional costs	Mark Sheldon	26 January 2010	3	2	6	R	S151/chief finance officers from across the county continue to meet with the bus operators to arrive at a negotiated outcome	Ongoing	Mark Shedlon	
1.11	If the council receives equal pay claims following single status this will put increased pressure on the council's general reserves	Amanda Attfield	26 January 2010	2	2	4	R	Evidence to be presented to any equal pay hearings based on the robustness of the single status scheme	Ongoing	Amanda Attfield	
1.12	If the triennial review of pensions identifies that contribution rates should be greater than anticipated then this will increase the budget gap within the MTFS	Mark Sheldon	26 January 2010	3	3	9	R	MTFS based on advice received from actuary.	November 2010	Mark Sheldon	

Note: The risk log attached to the budget proposals in December has been used as a basis for the development of this risk register. Some risks have been redescribed following comments by members at audit committee and overview and scrutiny committee to be clearer about the risks and actions, and some risks have been deleted as they specifically related to the draft budget proposals. A number of new risks have been added to reflect the current situation.

CLLR. JOHN WEBSTER: RESPONSE TO BUDGET CONSULTATION

January 28th 2010

INTRODUCTION.

I attended the following meetings for consultation on the budget:

- Cheltenham Voluntary and Community Action on 17th Dec
- C5 meeting on 18th Jan (Cheltenham Parish Councils)
- Social and Community Overview & Scrutiny Committee on 11th Jan
- Environment Overview & Scrutiny Committee on 20th Jan
- Economic & Business Improvement Overview and Scrutiny Committee on 25th Jan.

A range of issues arose which were either answered or responded to subsequently. All are covered in the final reports to Council or in written responses.

Two of the three Overview & Scrutiny (O&S) sessions lasted well over an hour and covered a wide range of detail, some of which could only be provided after the meeting. This has been or will be circulated to the appropriate O&S members.

Some discussion may be useful to see whether or not the budget can be subject to more searching scrutiny in future, perhaps with one panel made up of members from the three committees having a more intensive budget scrutiny session or a series of budget scrutiny meetings.

A letter was sent from Cheltenham Voluntary and Community Action generally supporting the budget and urging that at least the present levels of support be continued, particularly in relation to the subsidised leasing or renting of Council property to Voluntary Sector organisations carrying out activity consistent with the Council's policies. It emphasised the importance of the Voluntary Sector to Cheltenham, its role in levering in funding from other sources such as the lottery and central Government funding and particularly in its impact in the more disadvantaged areas of the town. The budget acknowledges the key role of the Voluntary Sector and sees the relationship between it and the Council as being pivotal in achieving its goals.

GENERAL QUESTIONNAIRE.

There were only 6 hard copy responses to the General Questionnaire, but almost a thousand electronic responses. This very good response to the Council's budget website indicates a much higher level of interest than to previous budgets and is of significance in securing greater public feedback and contains some important messages, but clearly was limited to those with access to the internet and in possession of some computer literacy.

The issue of the loan to the Everyman Theatre and Pittville Park had a role in initiating this response and this needs to be taken account of. The responses are listed below with my comments in italics.

There were a further 341 separate representations received in relation to the Everyman Theatre (see below), 333 of these in favour of support for the budget suggestions towards it.

BUDGET CONSULTATION 2010/11 – SUMMARY OF RESPONSES

997 completed surveys were received.

Q1. Do you feel that a 2.5% council tax increase (an extra £4.57 a year or 9p a week) is:

		%
Too Much	303	30.4
About Right	450	45.1
Not enough to maintain local services	147	14.7
Don't know	97	9.7
Total	**997**	

Nearly 60% of respondents thought the Council Tax increase about right or not enough, with just over 30% believing it was too much.

Q2. What do you think should be the Council's priorities for improving services? (up to 3 can be chosen)

	Response	%
Preventing crime & disorder	426	19.2
Street cleaning and maintenance	328	14.8
Helping with community groups and voluntary sector groups	90	4
Parks and gardens	101	4.5
Protecting and enhancing the borough's environment	59	2.7
Funding discretionary element of concessionary travel	35	1.6
Reducing carbon emissions and adapting to climate change impacts	84	3.8
Delivering value for money	219	9.9
Waste collection and recycling	199	8.9
Arts and culture	333	15
Promoting sport and health living	44	2
Promoting civic pride	39	1.8
Affordable housing	82	3.7
Promoting tourism	46	2
Promoting business and employment	123	5.5
Other (See below):	9	0.4
Total	2217	

Responses to Q2 under "other":

- Fixing the roads.
- Heritage.
- I think we are in a time of protecting services rather than enhancing them.
- Make pavements much safer.
- Not promoting – actioning.
- Reducing waste and excessive cost within the Council.
- Repairing roads.
- Road surfaces.
- Strongly support Glos airport, Staverton.

The greatest priorities listed were preventing crime and disorder (19.2%), Arts and Culture (15%) and street cleaning and maintenance (14.8%) with both delivering value for money (9.9%) and waste collection and recycling (8.9%) also having significant support.
The strong showing of Arts and Culture is of significance given the scores for some other of Cheltenham's features, such as Parks and Gardens, and indicates how it is valued in the town. This vindicates it as a cross cutting objective in the Corporate Plan identified is a vehicle for tackling economic, environmental and community objectives and justifies the high emphasis put on this by the

Council in contributing to the quality of life in the town. The scores also underline the importance of partnership working because not all of the priorities are ones that the Council can tackle itself.

Q3. What improvements would you most like to see the Council make to the borough?

In total 371 responses were received to this question. Common responses were:
- Increase the number of recyclable items collected from the kerbside
- Improve road surface quality & fill-in potholes.
- More cycle routes
- More activities for teenagers.
- Cleaner streets and an improvement of general "untidiness".
- More car parking in the city centre.
- A greater number of police officers visible on the streets.
- Maintenance of the Everyman theatre.
- Maintenance of Pittville Park.

These responses speak for themselves but also indicate the importance of Partnership working because many of them need to be addressed by a range of organisations.

Q4. Given the potential squeeze on public sector spending where do you think the council should look to reduce spending?

	Response	**%**
Preventing crime & disorder	37	1.9
Street cleaning and maintenance	14	0.7
Helping with community groups and voluntary sector groups	149	7.5
Parks and gardens	108	5.4
Protecting and enhancing the borough's environment	70	3.5
Funding discretionary element of concessionary travel	326	16.4
Reducing carbon emissions and adapting to climate change impacts	199	10
Delivering value for money	39	2
Waste collection and recycling	17	0.9
Arts and culture	70	3.5
Promoting sport and health living	195	9.8
Promoting civic pride	357	18
Affordable housing	100	5
Promoting tourism	164	8.3
Promoting business and employment	96	4.8
Other (See below):	42	2.1
Total	1983	

Responses to Q4 under "other":

- Reduce overstaffing (x13)
- Reduce senior staff and salaries; downsize council property estate; ask councillors to forego their pay and allowances
- As few consultants and "initiatives" as possible please
- Staff costs and pensions (x 10)
- None of the above
- Street furniture
- Waste in public buildings & administration
- All non added value costs
- Internal efficiency (x2)
- Long-term benefits (such as Jobseekers' Allowance) (x2)
- Shouldn't reduce spending (x2)
- Be more efficient and less waste on ill advised legal advice

- No more Lairds
- Unwinnable legal disputes (x2)
- Look within. Substantial savings can be made on direct costs. Negotiate hard with suppliers. Look internally at areas that are underperforming or are overstaffed. Take a business like approach.
- Civic jollies
- On making up any pension scheme deficits. I feel for those involved however no-one will be topping up non-public employee losses.

There is clearly some resentment over Borough Council funding for Civic Pride (18%) and funding the discretionary element to concessionary travel (16.4%), probably because the concession only benefits the over 60s and because it is now so heavily subsidised by local Council Tax payers. The 10% believing that spending can be reduced by 'Reducing carbon emissions and adapting to climate change impacts' is capable of two interpretations – those who may be 'climate change deniers' who don't want anything spent on it and those who think that cutting energy use will cut costs. There is an expected emphasis on increasing efficiency and asking councillors to forego allowances – both embedded in the budget.

Q5. The cabinet is proposing £1.2m of savings and increasing income, including cutting management and administration costs. What further savings or areas for increasing income do you believe the council should consider in the running of its services?

A total of 283 comments were received. The most popular responses were:

- Cut staff pensions
- Reduce/remove pay for Councillors
- Stop expensive trips abroad for town twinning
- Share services with other Councils
- Sell the Municipal Offices
- Reduce street lighting
- Ensure efficiency of staff, particularly those working outdoors
- Reduce benefits such as job-seekers allowance.

The issue of pensions in the public sector is one that the press has alerted people to and people are now questioning the long term sustainability of the present arrangements. This will be a major issue to resolve in the years to come.

Q6. Do you have any comments on the charges the council makes for its services?

149 responses were received to this question – several people commented that they did not understand the question and would have liked some examples. Of the responses received, the following were most common:

- Car parking charges are too high
- Costs should be cut at the Municipal Offices
- Most respondent thought charges were generally fair.

The issue of car parking charges is further explored in Q8 below.
The second response emphasises the need to continually improve Council efficiency and indicates the popular public view that there is waste in all Government. Shared Services and improved technology are driving costs down, and there is little obvious waste now within the Municipal Offices.

Q7. Do you agree with the plans to support the Everyman theatre by way of a £1m loan with interest plus a £250k grant?

		%
Yes	**945**	**98**
No	**19**	**2**
	964	

There is overwhelming support for the Council's support for the Everyman and underlines the emphasis put on Arts and Culture in Q2.

Q8. In order to keep council tax increases at 2.5% and to protect local services, we had to increase car parking charges by 3.5%. Would you have preferred an increase in council tax of 3.5% with car parking increases kept at 2.5%?

		%
Yes	454	45.5
No	486	48.7
Don't know	**57**	**5.7**
Total	**997**	

The response to this question indicates how controversial the issue of parking is within the town with a hefty number prepared to accept higher Council tax in exchange for lower parking fees. The reasons for this would need further research into where people lived, and their travel patterns and is something that needs to be pursued. The issue of parking charges is prominent in general comments about the budget below. No comment is made on this feedback because it is self explanatory.

Q9. Finally, do you have any general comments about the proposed budget?

182 comments were received, several of which were regarding support of the Everyman theatre. Other examples include:

- In current economic circumstances we need to expect some unpalatable increases and cuts. As long as these bring finances back in line without affecting services significantly then the pain is acceptable. I do find Cheltenham's parking charges to be generally too high, however, and much more expensive than other similar towns I visit and I trust that in future there will be no further increases in charges. We need to remain competitive with Gloucester and Bristol in particular.
- Your budget proposals seem reasonable – although the Laird case costs should never have happened. Losing £2m is a disgrace.
- One assumes that to make savings by improving efficiency is an ongoing process year on year. Therefore it should not be used as a special area of attention or mention in this year's budget.
- Civic Pride will cost a fortune, with expensive personnel appointments already being made. Keep the Municipal Offices and don't destroy the Long Gardens. They will only be replaced with more bars, vomit, litter, drunks and vandalism. The weather here will never promote "café culture" and a new council building will never come in on budget.
- The budget increase is likely to be in line with RPI inflation. However many people are struggling financially. This is why it is so important to increase revenue from high added-value employment.
- I don't envy your task and think you have very tough decisions to make in the coming years.
- Q8 is a badly worded question. The Council does not HAVE TO increase parking charges or increase the council tax further. The Council should look at significant cost reductions in non-frontline staff, use of consultants, travel expenses and remuneration and benefit packages.
- I just hope this isn't another piece of apparent "public consultation" and that the views submitted are taken seriously otherwise this too would represent an enormously worthless cost.
- I am prepared to pay for good Council services if they are carefully selected and do not involve significant staff increases.
- Value for money is what most people want.

In addition, a large number of comments (341) were received regarding the Everyman Theatre loan and grant. 333 of these were in favour of the loan, with common reasons being the tourism brought in by the theatre, the enjoyment many generations have had in visiting the Everyman, and that there are no similar theatres nearby. Several comments were received from local schools, highlighting the educational benefit of the Everyman.
Eight comments received were against the loan & grant to the Everyman Theatre, and in support of Pittville Park.

NB: Detailed individual comments in respect of the Everyman Theatre and Pittville Park have been placed in the members room for information.

One unrelated comment was received, as follows:

Luke Aguirre, Cheltenham
'Please will someone try and save our bowling alley'.
This plaintiff cry from Luke Aguirre will be investigated.

RESPONSE TO PITTVILLE PARK/ EVERYMAN FUNDING ISSUE.
The reality is that for the coming year (2010/11) the bulk of the Capital Budget (over half a million pounds in all) is being allocated to the maintenance of Regent Arcade (which we have a legal obligation to do), and the installation of a new IT storage system for the Council. This is why the £300k has had to be taken back into the capital reserve. Funding for the Everyman is proposed as part of the capital programme for 2011/12 which is when they expect to do the work.

The facts about the Pittville Park funding are as follows.
At Full Council on 17th March 2008 during the last Conservative administration it was agreed that the Council should contribute £1m match funding to a £3m HLF bid. The resolution that was passed made it quite clear that if the HLF bid was unsuccessful that 'Full Council will reconsider the allocation of the £1m funding'. **The funding was only ring-fenced for Pittville Park <u>if</u> the HLF bid came to fruition**.

The £1m was composed as follows

- £200k from 4 years general maintenance for <u>all</u> Parks (50k a year)
- £100k planned maintenance from the Parks budget overall.
- £200k s106 (planning gain) from Midwinter sale (clearly not available because the site has still not yet been sold)
- £10k from volunteers
- £190k of 'qualifying funding' which has already been spent
- Plus £300k of capital.

The HLF bid was **unsuccessful** despite being put forward as the highest priority in the region.

A report was submitted to Council on 12th Oct 2009 which recommended ring fencing the £300k, **<u>not for Pittville Park</u>, but to be invested in a range of other park and open space schemes.**

When I realised the impact of the £300k on the capital programme this report was withdrawn. My view was that it should not be allocated for something else – but that it should be considered along with other bids at budget time by full Council as the original resolution required.

There may be an opportunity to submit another HLF bid for Pittville Park - however, it was advised by the SW Office of HLF '*that concurrent bids from the same authority might be* *considered to show a lack of strategic thinking',* and the bid for the Art Gallery and Museum had been subsequently submitted.

The key point here is that both Pittville Park and the Museum are owned and run by the Council whereas the Everyman building is owned by the Council – but it is leased to the Everyman and run as a business by the Everyman Theatre Ltd – **a completely independent and autonomous 3rd Party which therefore stands a better chance of securing HLF funding.**

The fact that the Everyman has got through Stage 1 of a Heritage Lottery Grant application in September 09 convinced me that theirs was the emerging priority for funding. The Everyman's bid to HLF is £500k. The Phase I application was approved in September 09. My understanding is that the assessment of the Phase II application (in February) will require the Everyman to provide clear evidence of the theatre's funding strategy & evidence that the match funding to deliver the project is in place. The Council recommendation to provide funding for the Everyman provides the match funding the HLF is looking for.

I would like to make a number of other points about the Pittville Park funding.

- The £200k of maintenance from all Parks deprived the remaining parks in Cheltenham of 4 years maintenance funding: this funding now goes back to parks generally.
- About £25k a year will be spent on Pittville for the next two years.
- The children's play area has been improved. Further, no cuts are being proposed in the caged birds and animals which cost £20k a year to keep. This was an officer option presented for consideration and is still present in Appendix D of the budget papers. This administration has refused to make this cut and will not do so in the future.
- The original Council funding identified as match funding for the HLF bid included £200k from the sale of the Midwinter site which has not yet transpired. £2m of 'Midwinter' funding was also earmarked by the previous Conservative administration for the Museum, which this administration made available from other sources in last year's budget. Had the Pittville HLF bid been successful every other park in Cheltenham would have been penalised and we would have had to find not £300k, but half a million from Council funds to support the bid.
- There may be an opportunity for some funding for Pittville Park in the future if we sell assets, but this will almost certainly be for a much more modest scheme. Requests have been made to refurbish the main park gates and these can be considered running up to next budget, but given that we do not know what our circumstances may be, it is not sensible at the moment to give any undertakings about this.

John Webster

Cabinet Member Community Development and Finance.
Deputy Leader Cheltenham Borough Council.
webster.j@blueyonder.co.uk

Cheltenham Borough Council

Cabinet – 9 February 2010

Council – 12 February 2010

Housing Revenue Account (HRA) Revised Budget 2009/10 and Final Budget Proposals 2010/11

Report of the Cabinet Member for Community Development and Finance and the Chief Finance Officer

1. Executive summary and recommendation

1.1 At the meeting on 15th December 2009, the Cabinet approved draft HRA budget proposals for 2010/11 for consultation. The Cabinet is now required to make recommendations to Council on the 2010/11 budget, having regard to the responses to the consultation. These proposals may be subject to further amendment following the publication of the final subsidy determinations by the Government.

1.2 We therefore recommend that Cabinet:

1.2.1 approve the HRA revised budget for 2009/10.

1.2.2 approve the HRA 2010/11 budget including an average rent decrease of 0.15% (applied in accordance with rent restructuring guidelines) and increases in other HRA charges as detailed at Appendix D.

1.2.3 approve the 2010/11 management fees and charges for Cheltenham Borough Homes as detailed in Section 6.

1.2.4 approve the revised HRA capital programme for 2009/10.

1.2.5 approve the HRA capital programme for 2010/11.

1.3 Summary of implications

1.3.1 Financial	As contained in the report and appendices.
1.3.2 Legal	The Council cannot approve an HRA budget which would lead to an overall deficit on the account
1.3.3 Human Resources	None as a direct result of this report.
1.3.4 Equal opportunities, social justice and anti-poverty	None as a direct result of this report.
1.3.5 Environmental	None as a direct result of this report.

2. Background

2.1 Both the revised budget for 2009/10 and interim budget for 2010/11 have been prepared to achieve the financial objective of establishing and retaining a contingent balance of £1million in revenue reserve with any additional funds being carried forward to fund capital expenditure in future years.

2.2 The draft revenue budgets approved by Cabinet on 15th December 2009 have been amended as follows:-

- Increase in electricity and grounds maintenance costs (+£32,900)
- Increase in CBH management fee to reflect final service level agreement charges from the Council (+£20,000)
- Net increase from final central administration recharges (+£10,500)
- Additional income from service charges (+£33,700)

The net impact of the above is to reduce the estimated revenue reserve balance at 31st March 2011 by £29,700.

3. 2009/10 Revised Budget

3.1 The revised budget at Appendix A shows an increase in surplus of £250,100 compared to the original estimate. This will replenish the revenue reserve to £1,045,200 by 31st March 2010 despite the balance brought forward from 2008/09 being lower than originally anticipated. Following the confirmed outturn for last year, the capital expenditure budget for 2009/10 was reduced by £100,000 to offset a necessary increase in the bad debt provision for rechargeable works. Further variations have been identified in budget monitoring reports.

3.2 Significant variations are summarised as follows:-

Budget Heading	**Change in resources**
	£'000
Reduction in revenue contributions required to fund capital programme	288
Net reduction in interest payable & receivable (lower interest rates)	76
Reduction in HRA subsidy payable	97
Reduction in commercial income (higher voids on shops)	-20
Increase in reactive & planned maintenance (higher demand for minor disabled adaptations & increased costs of drain clearance and void refurbishment)	-63
Increase in bad debt provision (rechargeable works)	-100
Increase in stock insurance premiums	-19
Other net	-9
Net Total	**250**

3.3 Appendix B gives details of housing repairs expenditure which shows forecast additional expenditure of £63,000 as detailed in paragraph 3.2 above

4. 2010/11 Budget

4.1 The Government's draft proposals for HRA subsidy were significantly delayed this year and were only published for consultation on 10th December 2009. The consultation period ended on 25th January 2010 and the final determinations are awaited. As requested by Cabinet a consultation response to the draft determinations was submitted which expressed concern over the delay in publication and identified the potential adverse consequences of accelerating rent convergence.

4.1.2 Until the final outcome of the review of Council Housing Finance is known DCLG proposes that no significant changes will be made to the current system. A response to the recently completed consultation process is anticipated in February 2010 when it is anticipated a self financing offer will be made to all stock owning authorities, including the proposed date of implementation.

4.1.3 The draft determination for 2010/11 shows a national average increase in guideline rent of 3.1% (2.5% for Cheltenham), a reduction from the figure of 6.1% originally set for the year. Rent restructuring uses the retail price indicator for September each year to uplift the formula rent for the following financial year. In September 2009 this was -1.4%, the first time it had been negative since the current rent policy began. Formula rents will be reduced by 0.9% (-1.4%+0.5% for convergence) and the reduction in guideline rent has been achieved by bringing forward rent convergence to 2012/13 (previously 2023/24). For Cheltenham tenants this will result in a marginal reduction of 0.15% in average rent for 2010/11 as illustrated by Appendices C & D.

4.1.4 The draft determination indicates increases in management, maintenance and major repair allowances for Cheltenham. The additional resources will offset the increased subsidy withdrawal from a higher guideline rent.

4.1.5 The net effect of the subsidy proposals for Cheltenham, arising from changes to unit allowances and stock levels, is a reduction in subsidy payable of £30,000 compared with the current year. The changes proposed to individual elements are shown below:-

Element of Subsidy	**% change**	**Changes to Subsidy Payable**
		£'000
Management Allowance	+ 3.6	- 93
Maintenance Allowance	+ 4.2	-211
Major Repairs Allowance	+ 2.3	-66
Guideline Rent Income	+ 2.5	+ 337
Other Changes		+3
Net Subsidy Payable		**-30**

4.1.6 Given there will be no material changes to rent income in 2010/11 the subsidy proposals are broadly resource neutral for Cheltenham. However there will be a reduction in rent rebate subsidy limitation (£75,000) as rent convergence approaches.

4.2 Significant changes to the HRA in 2010/11 as compared to the revised estimates for 2009/10 are itemised below. The net effect is a decrease in the surplus for the year of £167,700.

Budget Heading	Change in resources
	£'000
Reduction in revenue contributions required to fund capital	+189
Net impact of HRA subsidy settlement (including subsidy limitation and major repairs allowance)	+ 40
Increase in commercial rents (new lettings)	+ 34
Service charge increases	+ 69
Increase in interest payable (higher interest rates)	-128
Increase in CBH management fee (inflation)	-122
Increase in cyclical repairs	-150
Increase in estate services & direct costs	- 80
Other (net)	-20
Net reduction in surplus	**-168**

4.3 The Housing Repairs Account at Appendix B shows reactive spend at the same level as the revised estimate for the current year but includes a growth item of £150,000 to fund a new cyclical painting programme.

4.4 The HRA revenue reserve shows a further increase to £1,611,900 at 31st March 2011. It is anticipated that the balance of funds exceeding a retained contingency figure of £1,000,000 will be required for capital investment in future years.

4.5 Appendix C gives details of the progress in rent restructuring to date and projects rent increases forward to the current convergence date of 2012/13 using an estimated RPI of 2.5% per annum.

4.6 Appendix D details the proposed average rent for 2010/11 with recommended charges for other services. Gas charges for communal heating schemes can be held at current levels with the benefit of a competitively tendered tariff but there will be a 33% increase towards the rising cost of the electric fuelled scheme at Cumming Court. Provision has been included for a 2.5% increase in garage rents though the option for variable charges to tenants and private users will be reviewed over the next 12 months.

5. Service Charges

5.1 Following the de-pooling exercises in recent years there are now separate charges to tenants, mainly in blocks of flats, for grounds maintenance, power and cleaning. These mandatory charges qualify for housing benefit. For 2010/11 it is currently estimated that grounds maintenance charges will increase by 12% and cleaning by 6.7%. Changes to the charge for communal electricity will be block specific dependent on estimates of consumption.

6. Cheltenham Borough Homes (CBH)

6.1 The HRA budget includes provision for the management fee payable to CBH. The company has submitted its own detailed budget and fee proposal for 2010/11, together with a schedule of key business activities and performance targets for the year.

6.2 CBH budgets for 2010/11 provide a contingency for a 1% pay award in April 2010 (but no increase for the Executive Management Team). The company has also budgeted at 98% of full establishment with the resultant revenue forecast indicating a contribution of £18,400 from reserves is required to fund expenditure in year.

6.3 In advance of the triennial valuation of the pension fund due on 31st March 2010, CBH has received an interim report from the actuaries to the pension fund which indicates an increase in the employers future service rate of 3% will be required, together with a further sum to finance an accrued deficit to date. The company intends to increase contributions with effect from 1st April 2010 and has requested additional support to achieve this. The increase will cost £111,500 in a full year across all services. The company will use the contribution from reserves to part fund this increase and has requested the balance of £91,500 be added to fees, being £67,000 on the management fee, £21,000 on repairs and £3,500 on cleaning. These sums are currently included in both the HRA budget for 2010/11 and the table at paragraph 6.7 below.

6.4 The HRA management fee for 2010/11 shows an increase of 1.3% excluding the growth item for pension funding and 2.9% with this item included.

6.5 The estimated charges for revenue and capital repairs show an increase of 3.2% in 2010/11 which includes price increases for materials and labour and reflects additional work being carried out directly by the company with less reliance on external contractors. The fee for managing the capital programme is kept cash frozen for a similar range and value of projects in 2010/11.

6.6 There is a significant increase in block cleaning costs arising from higher costs for waste disposal, particularly from fly tipping, and additional labour cover. Some of these costs will be recovered through an increase of approximately 6.7% in the service charge for tenants and leaseholders.

6.7 The company's income is derived primarily from four funding streams being management fees chargeable to the HRA and the HRA Capital Programme, the cost of revenue and capital repairs and the block cleaning service (mainly funded by charges to tenants and leaseholders). CBH also undertakes some public building maintenance work (gradually diminishing) and provides a cashiering facility for General Fund Services at the two area offices. The fee submission for the main areas of activity is shown below and compared with 2009/10.

		2009/10 (Revised)	**2010/11**
Average Stock		4,606	4,595
		£	**£**
Management Fee			
- including growth bid	Gross Cost	**4,141,700**	**4,263,700**
	Per Unit	899	928
Revenue & Capital Repairs	Gross Cost	**2,099,000**	**2,165,700**
	Per Unit	456	471
Management of Capital Programme		**405,000**	**405,000**
Block Cleaning Service		**287,700**	**324,500**
Total		**6,933,400**	**7,158,900**

.

7. HRA Capital Programme

7.1 The revised programme for 2009/10 and proposals for 2010/11 are shown at Appendix E, together with a more detailed schedule of improvement and repair works at Appendix F.

7.2 The revised estimates for the current year reflect a reduction of £100,000 approved in June 2009 and further changes identified in budget monitoring. Savings have arisen in the internal improvements programme (£100,000) and there is reduced demand for major disabled adaptations (£50,000). CBH have been successful in bidding for additional funding from DCLG to fund cavity wall insulation with £310,000 available in 2009/10 and £85,000 in 2010/11. These changes, together with a limited increase in usable capital receipts, will reduce revenue contributions to capital by £288,000 in the current year.

7.3 The 2010/11 programme reflects the need to spend identified in the stock condition database. This will retain all stock to decency standard and provide further neighbourhood improvements through external works. It includes a budget of £1,000,000 for transformational improvements to existing stock in St Pauls to accompany the proposed CBH new build (a further £500,000 is planned for 2011/12). Other projects include the start of a garage improvement programme (£150,000) and the provision of storage for electric scooters at sheltered schemes (£60,000).

8. Consultation process

8.1 The draft budget proposals approved by Cabinet on 15th December 2009 have been endorsed by the Board of Cheltenham Borough Homes Ltd. No further comments have been received during the public consultation period.

Appendices	A. HRA Operating Account B. Housing Repairs Account C. Rent Restructuring D. Housing Revenues Account – Rents and Charges E. HRA Capital Programme F. HRA Works to Properties
Background papers	Draft HRA subsidy determinations published by DCLG, 10th December 2009
Contact Officers	Bob Dagger, Assistant Chief Executive, Cheltenham Borough Homes Tel. 01242 264225; e-mail address: bob.dagger@cheltborohomes.org Mark Sheldon, Chief Finance Officer

Tel. 01242 264123;
e-mail address: mark.sheldon@cheltenham.gov.uk

Accountability	Councillor John Webster, Cabinet Member for Community Development and Finance
	All Overview and Scrutiny Committees.

HRA OPERATING ACCOUNT

APPENDIX A

	2009/10 Original £	2009/10 Revised £	2010/11 Estimate £
EXPENDITURE			
General & Special Management	1,699,200	1,707,600	1,800,300
ALMO Management Fee	4,121,700	4,141,700	4,263,700
Rents, Rates, Taxes and Other Charges	61,000	61,000	56,500
Transfer to Housing Repairs Account	3,527,000	3,590,000	3,735,000
Provision for Bad Debts	120,000	220,000	200,000
Interest Payable	711,800	624,300	752,200
Depreciation of Dwellings	3,035,600	3,035,600	3,101,300
Depreciation of Other Assets	68,000	66,300	75,000
Debt Management Expenses	43,300	43,300	46,500
Rent Rebate Subsidy Limitation	196,700	206,000	131,000
Housing Revenue Account Subsidy	3,841,000	3,743,700	3,713,800
TOTAL	**17,425,300**	**17,439,500**	**17,875,300**
INCOME			
Dwelling Rents	15,810,000	15,820,000	15,791,000
Non Dwelling Rents	421,000	391,400	396,400
Charges for Services and Facilities	624,000	633,000	702,300
HRA Subsidy - ALMO Allowance	2,515,200	2,515,200	2,515,200
Supporting People Grant	150,000	150,000	150,000
TOTAL	**19,520,200**	**19,509,600**	**19,554,900**
NET COST OF SERVICES	**-2,094,900**	**-2,070,100**	**-1,679,600**
Amortised Premiums / Discounts	8,900	8,900	8,900
Interest Receivable	-52,700	-41,300	-66,700
NET OPERATING INCOME	**-2,138,700**	**-2,102,500**	**-1,737,400**
Appropriations			
Revenue Contributions to Capital	1,722,400	1,434,400	1,245,700
Transfer from Major Repairs Reserve	-68,000	-66,300	-75,000
HRA SURPLUS carried to reserve	**484,300**	**734,400**	**566,700**
Revenue Reserve brought forward	**648,800**	**310,800**	**1,045,200**
Revenue Reserve carried forward	**1,133,100**	**1,045,200**	**1,611,900**

Average Rent:-			
Decrease 1st April 2010			**-0.15%**
48 wk	**72.56**	**72.56**	**72.45**
52 wk	**66.98**	**66.98**	**66.88**
Average Stock	**4,621**	**4,606**	**4,595**

HOUSING REPAIRS ACCOUNT

	2009/10		2010/11
	Original	Revised	Estimate
	£	£	£
EXPENDITURE			
Repairs & Maintenance :-			
Reactive Repairs	2,516,000	2,559,000	2,559,000
Annual & Cyclical Maintenance	1,011,000	1,031,000	1,176,000
	3,527,000	**3,590,000**	**3,735,000**
INCOME			
Contribution from Housing Revenue Account	**3,527,000**	**3,590,000**	**3,735,000**
Surplus/Deficit for the Year	**0**	**0**	**0**
Balance brought forward	0	0	0
Balance carried forward	**0**	**0**	**0**

MAJOR REPAIRS RESERVE

	2009/10		2010/11
	Original	Revised	Estimate
	£	£	£
Balance brought forward	0	0	0
Major Repairs Allowance	3,035,600	3,035,600	3,101,300
	3,035,600	**3,035,600**	**3,101,300**
Utilised in Year (Funding Capital Programme App E)	-3,035,600	-3,035,600	-3,101,300
Balance carried forward	**0**	**0**	**0**

RENT RESTRUCTURING

This shows Cheltenham's progression towards rent restructuring. The Government currently estimates this will be completed by 2012/13. However this will be subject to future rates of inflation and government rent policy.

Definitions:-
Formula Rent = the target for Cheltenham as calculated by the government's formula
Limit Rent = the maximum rent that the government will pay for rent rebates
Guideline Rent = the rent the government uses to calculate income in the subsidy calculation

By the end of rent restructuring formula rent, limit rent, guideline rent and the actual rent paid by tenants are required to be the same.

	Formula Rent		Limit Rent	Guideline Rent	Actual Rent	
	£	% Inc	£	£	£	% Inc
2008-2009	64.94		64.42	60.32	65.22	
2009-2010	68.51		66.00	62.09	66.98	
2010-2011	67.90	-0.9	66.22	63.61	66.88	-0.15
2011-2012	69.94	3.0	69.08	67.73	69.42	3.8
2012-2013	72.03	3.0	72.03	72.03	72.03	3.8

HOUSING REVENUE ACCOUNT - RENTS & CHARGES

		2009/10 £	2010/11 £
Dwelling Rents (average)			
	48 wk basis	**72.56**	**72.45**
	52 wk basis	**66.98**	**66.88**
Garages (per month)		**23.90**	**24.50**
Communal Heating Schemes (52 wk basis)			
Gas	1 person flat	**6.68**	**6.68**
	2 person flat	**9.00**	**9.00**
Cumming Court	1 person flat	**2.27**	**3.02**
	2 person flat	**3.13**	**4.16**
Guest Bedrooms (per night)		**9.00**	**9.00**

HRA CAPITAL PROGRAMME

	2009/10 Original £'000	2009/10 Revised £'000	2010/11 Estimate £'000
EXPENDITURE			
Property Improvements & Major Repairs (incl fees)	4,067	4,152	4,022
Adaptations for the Disabled	400	350	350
St Pauls Redevelopment	50	150	
Brighton Road Redevelopment		25	
Environmental Works (Tenant Selection)	60	60	60
Repurchase of Shared Ownership Dwellings	50	50	50
Choice Based Lettings	43	43	
Contingency - Redevelopment	100		
	4,770	**4,830**	**4,482**
FINANCING			
Government Grant (Cavity Wall Insulation)		310	85
Capital Receipts	12	50	50
HRA Revenue Contribution	1,723	1,435	1,246
Major Repairs Reserve	3,035	3,035	3,101
	4,770	**4,830**	**4,482**

HRA WORKS TO PROPERTIES

COST HEADING	2010/11 BUDGET £
INTERNAL IMPROVEMENTS	450,000
LOFT /CAVITY INSULATION	25,000
CAVITY INSULATION (GRANT FUNDED)	85,000
LEVEL ACCESS SHOWERS	72,000
WORKS TO BUILDING FABRIC	180,000
NEW HEATING INSTALLATIONS	170,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	440,000
WINDOWS	30,000
ASBESTOS	85,000
LIFT REFURBISHMENTS	90,000
SHELTERED ACCOMMODATION	50,000
NEIGHBOURHOOD WORKS	400,000
DOOR ENTRY SCHEMES	100,000
STRUCTURAL/DAMP WORKS	30,000
MISCELLANEOUS WORKS	70,000
FIRE PROTECTION	50,000
COMMUNAL AERIAL REPLACEMENT	30,000
ELECTRIC SCOOTER HOUSING	60,000
ST PAULS TRANSFORMATIONAL IMPS	1,000,000
GARAGE IMPROVEMENTS	150,000
ELECTRIC SUB MAINS	50,000
FEE FOR MANAGING PROGRAMME	405,000
TOTAL BUDGET	4,022,000

Cheltenham Borough Council

Treasury Management Panel – 28 January 2010

Cabinet – 9 February 2010

Council – 12 February 2010

Treasury Management Strategy Statement and Annual Investment Strategy 2010/11

Report of the Chief Finance Officer

1. Executive Summary and recommendation

1.1 In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management in the Public Services. In accordance with the code, the Council has a responsibility to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy for council approval prior to the start of a new financial year.

1.2 I therefore recommend that:

1.2.1 Cabinet recommend to Council the approval of the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2010/11 at Appendix 1 including:

- **The general policy objective that 'the c=Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity'.**
- **For 2010/11 in calculating the Minimum Revenue Provision (MRP), the Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure as per section 21 in Appendix 2.**
- **Note that an annual mid year report on treasury activities and performances against the strategy will be presented to Council to comply with the updated Treasury Management Code of Practice as part of the outturn report.**

1.3 Summary of implications (note to author - cross reference to body of report where applicable)

1.3.1	Financial	As detailed in the report. **Contact officer:** Mark Sheldon **E-mail: mark.sheldon@cheltenham.gov.uk** **Tel no: 01242 264123**
1.3.2	Legal	As detailed in the report. **Contact officer:** **E-mail: @cheltenham.gov.uk** **Tel no: 01242**
1.3.3	Other	None directly flowing from this report. **Contact officer:** **E-mail: @cheltenham.gov.uk** **Tel no: 01242**

1.4 Implications on corporate and community plan priorities

1.4.1 The purpose of the strategy is to improve corporate governance, a key objective for the Council.

1.5 Statement on Risk

1.5.1 The strategy is designed to provide parameters for day to day management of the treasury management activity.

---

2. Introduction

2.1 In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management in the Public Services. In accordance with the code, the Council has responsibility to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy for Council approval prior to the start of a new financial year.

2.2 In response to the financial crisis in 2008 and the collapse of the Icelandic banks, CIPFA has revised the Treasury Management Code and Guidance Notes as well as the Prudential Indicators.

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

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

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

- A Treasury Management Strategy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- Suitable Treasury Management Practices (TMP's) setting out the manner in which the Council will seek to achieve those polices and objectives, and prescribing how it will manage and control those activities.

2.5 The local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which came into force on 1st April 2004, include provisions relevant to investments. These regulations, together with amendments subsequently made to them (S.I. No. 534), determine the nature of specific investments, and how they should be treated/accounted for by a local authority. Formal guidance was issued by the Secretary of State in March 2004 under section 15(1)(a) of the Local Government Act 2003, which sets out a framework for the development of the Council's policies for managing its investments. Communities and Local Government (CLG) is also in the process of revising and updating the Investment Guidance. Changes required to be made to this strategy will be placed before Council for consideration.

3. Background

3.1 The Treasury Management Strategy Statement and Annual Investment Strategy at Appendix 1, state the overriding principles and objectives governing treasury management activity. As an integral part of that Statement, the Council includes the preparation of Treasury Management Practices which set out the manner in which the Council will achieve those principles and objectives prescribing how it will manage and control those activities.

3.2 Given the current economic crisis and the Council's exposure to Icelandic banks, a thorough review of treasury management activity was undertaken in shaping the strategy for approval for 2009/10 and this remains the same going forward into 2010.

3.2.1 The general policy objective of the Annual Investment Strategy is that:

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

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

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

4. Icelandic Banks

4.1 The Council had £11m of investments with Icelandic banks which went into administration in October 2008. The Council has logged claims for recovery of the deposits and some monies have been repaid in 2009, leaving deposits of £10.1m still to be repaid. The likely recovery rates or timescales for future repayments is still unknown at this time.

5. Consultation

5.1 The Council's external treasury advisors, Arlingclose Ltd, supported the Council in the production of the strategies.

5.2 The strategy has been approved by the Treasury Management Panel at its meeting on 28th January 2010.

Appendices	1. Treasury Management Strategy Statement 2. Annual MRP Statement
Background Papers	Section 15(1)(a) of the Local Government Act 2003 Cheltenham Borough Council Treasury Management Practices
Contact Officer	Mark Sheldon, Chief Finance Officer, 01242 264123, mark.sheldon@cheltenham.gov.uk
Accountability	Councillor John Webster, Cabinet Member for Finance and Community Development
Scrutiny Function	Economy and Business Improvement Overview and Scrutiny committee

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2010/2011

TREASURY MANAGEMENT STRATEGY STATEMENT

1. Introduction

The Local Government Act 2003 requires the Council to ‘have regard to ‘the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (AIS) (as required by Investment Guidance issued subsequent to the Act) (included as paragraph 8). The AIS sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2010/11 in respect of the following aspects of the treasury management function is based upon the Treasury officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury advisors, Arlingclose Ltd. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- prospects for interest rates;
- the borrowing requirement;
- the borrowing strategy;
- debt rescheduling;
- the investment strategy;
- Annual MRP statement
- Other items

There is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

a) increases in interest charges caused by increased borrowing to finance additional capital expenditure, and

b) any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2. Treasury Limits for 2010/11 to 2012/13

There is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by external borrowing. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and the two successive financial years.

3. Prudential Indicators for 2009/10 – 2012/13

The Council is also required to indicate that it has adopted the CIPFA Code of Practice on Treasury Management. This was adopted in February 2002 by full Council.

The following prudential indicators are relevant for the purposes of setting an integrated treasury management strategy.

3.1.1 The Council must estimate its total capital expenditure, split between the Housing Revenue Account (HRA) and non HRA, in the next three or more financial years. This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

3.1.2 The actual capital expenditure that was incurred in 2008/09 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:-

Capital Expenditure					
Proposed Capital programme	2008/09 £000 Actual	2009/10 £000 Revised	2010/11 £000 Estimate	2011/12 £000 Estimate	2012/13 £000 Estimate
General Fund	5,835	2,691	5,727	3,139	1,489
HRA	4,920	4,830	4,482	3,977	4,197
Total	10,755	7,521	10,209	7,116	5,686

3.1.3 **Estimates of the ratio of financing costs to the net revenue stream**

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

3.1.4 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2008/09 are:

Ratio of Financing Costs to Net Revenue Stream					
	2008/09 Actual %	2009/10 Revised %	2010/11 Estimate %	2011/12 Estimate %	2012/13 Estimate %
Non-HRA	3.77%	2.23%	3.07%	2.53%	2.67%
HRA	3.74%	3.10%	3.62%	3.42%	3.29%

3.1.5 **Capital Financing Requirement**

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, Cheltenham Borough Council does not associate borrowing with particular items or types of expenditure. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. Cheltenham Borough Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending.

3.1.6 The Council could borrow without limit, provided it ensures such borrowing is affordable, prudent and sustainable.

3.1.7 Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31st March 2008 are:

Capital Financing Requirement (CFR)					
	31/3/08 £000 Actual	31/3/09 £000 Revised	31/3/10 £000 Estimate	31/3/11 £000 Estimate	31/3/12 £000 Estimate
Non-HRA	22,888	22,720	26,488	25,843	25,215
HRA	18,880	18,728	18,728	18,728	18,728
Total CFR	41,768	41,448	45,216	44,571	43,943

The £1.2m PWLB prudential borrowing required for Gloucestershire Airport improvements has not yet been factored into 2010/11 CFR indicators as the timing of drawing down on this loan from PWLB has not yet been finalised. Further prudential borrowing from the PWLB may be required for the proposed improvements for the Everyman Theatre and new builds for Cheltenham Borough Homes. The Prudential indicators will be updated during 2010/11 accordingly.

The move to International Financial Reporting Standards (IFRS) may have implications for the Capital Financing Requirement components on the Balance Sheet. Analysis of the Council's Operating leases against IFRS requirements may result in the related long term assets and liabilities being brought onto the Council's Balance Sheet. Once analysis has been completed a review of the CFR and Long term Liabilities will be adjusted accordingly and the Prudential Indicators will be updated.

3.1.8 **Net borrowing and the Capital Financing Requirement**

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence:
"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

3.1.9 Local authorities may borrow temporarily to cover cash flow shortages but over the medium term should only borrow to finance capital expenditure.

3.1.10 In order to ensure that over the medium term net borrowing will only be for capital purposes, the Council needs to ensure its net external borrowing does not exceed its Capital Financing Requirement over the current and next three years. The table below demonstrates that the estimated level of net investments remains lower than the capital financing requirement in each year, and therefore meets this requirement.

Estimated net borrowing and capital financing requirement at Year end	2008/09 £000 Actual	2009/10 £000 Revised	2010/11 £000 Estimate	2011/12 £000 Estimate	2012/13 £000 Estimate
Gross borrowing	59,567	51,430	59,430	59,430	59,430
Investments	23,720	19,588	19,588	19,588	19,588
Net (Investment) / borrowing	35,847	31,842	39,842	39,842	39,842
Capital financing requirement	41,768	41,448	45,216	44,571	43,943

3.1.11 **Estimates of the incremental impact of capital expenditure on the council tax and housing rents**

A fundamental indicator of the affordability of capital expenditure plans is its impact on the council tax and housing rents. Any borrowing for capital purposes has an impact on the revenue account and, to the extent it is not supported by government or other contributions, on council tax and/or housing rents. Using capital receipts to fund capital expenditure also has an impact because the assets sold would no longer generate rental income or investment income. The use of revenue funding to fund capital clearly has a direct impact on the revenue account and council taxes/rents. The completed capital schemes will also have an impact in terms of running costs and income generated.

3.1.12 The Council must estimate the incremental impact of its capital expenditure plans (shown above) on the council tax and housing rents for the next three years or more.

3.1.13 The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been taken by the Council are:

For the Band D Council Tax

2010/11	2011/12	2012/13
£0.68	£0.12	Nil

For average weekly housing rents

2010/11	2011/12	2012/13
Nil**	Nil**	Nil**

** Decisions on annual rent increases are now subject to rent restructuring guidelines set by Central Government. As a consequence the link between rent levels and capital expenditure no longer applies.

3.2 **External Debt Indicators**

Two limits need to be set and monitored to ensure borrowing is prudent, affordable and sustainable.

3.2.1 **Authorised Limit**

The Council must set an authorised limit for its external debt for the next three financial years or more. This is

- the possible maximum level of borrowing that may need to be incurred and the limit beyond which borrowing will be prohibited

- the statutory limit specified in section 3(1) of the Local Government Act 2003

- Reflects a level of borrowing which, although affordable in the short term may not be sustainable

- The 'outer boundary' of the Council's possible need to borrow.

3.2.2 In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt gross of investments for the next three financial years. The Council is asked to approve these limits and to delegate authority to the Chief Finance Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority.

Authorised Limit for External Debt				
	2009/10 £000	2010/11 £000	2011/12 £000	20012/13 £000
Borrowing	88,000	76,000	79,000	79,000
Other long term liabilities	-	-	-	-
Total	88,000	76,000	79,000	79,000

3.2.3 In setting the limit, account must be taken of the authority's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. Risk analysis has been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements.

This limit represents the worst case scenario, i.e. the effect on the cash flow of receiving no council tax income and borrowing to the maximum of the capital financing requirement, in addition to investments held. The calculation follows a prescribed formula and is in excess of the expected levels of borrowing for 2010/11 to 2012/13 in accordance with Treasury strategy and as shown in the Operational

Boundary indicator in paragraph 3.2.6.

3.2.4 In taking its decisions on this report, the Council is asked to note that the authorised limit determined for 2010/11 the statutory limit determined under section 3(1) of the Local Government Act 2003.

3.2.5 **Operational Boundary**

The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long term liabilities are separately identified. The Council is also asked to delegate authority to the Chief Finance Officer, to effect movement between separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit.

3.2.6 The boundary may be breached occasionally due to unexpected cash flow shortages but a sustained breach would indicate the Council may be in danger of breaching the Authorised Limit. The Council is recommended to approve the following limits for this indicator.

Operational Boundary for External Debt				
	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £'000
Borrowing	59,000	69,000	69,000	69,000
Other long term liabilities	-	-	-	-
Total	59,000	69,000	69,000	69,000

3.2.7 The operational boundary represents the maximum expected operational borrowing at a given time, which is significantly lower than the prescribed authorised limit shown in paragraph 3.2.2. This measure reflects a more realistic view of likely cash flow scenarios, and should not be exceeded.

3.2.8 The Council's actual external debt at 31st March 2009 was £59.57 million. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

3.3. **Upper limits on interest rate exposure**

The Council must set upper limits on its exposure to changes in interest rates for at least the next three years. An upper limit must be set for both fixed and variable rates covering both borrowing and investments.

3.3.1 The purpose of these indicators is to reduce the likelihood of an adverse movement in interest rates or borrowing / investment decisions impacting negatively on the Council's overall financial position.

3.3.2 It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2010/11, 2011/12 and 2012/13 of its gross outstanding borrowing.

3.3.3 It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2010/11, 2011/12 and 2012/13 of 100% of its gross outstanding borrowing.

3.3.4 This means the Chief Financial Officer will manage fixed interest rate exposures within the range 0% to 100% and variable interest rate exposures within the range 0% to 100%.

3.3.5 **Maturity structure of borrowing**

The Council must set both upper and lower limits with respect to the maturity structure of borrowing for the following financial year. This indicator is designed to be a control over an authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. Therefore the aim should be a relatively even spread of debt repayment dates.

3.3.6 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period is:

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

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2010/2011

4. Current Portfolio Position

The Council's treasury debt portfolio position at 31st December 2009 comprised:

		Principal		Ave. rate
		£m		%
Fixed rate borrowing	PWLB	11.0		4.78
	Market	15.9	26.9	4.00
Variable rate borrowing	PWLB	0		
	Market	0		
Temporary Borrowing			15.7	0.34
TOTAL DEBT			**42.6m**	**2.85**
TOTAL INVESTMENTS			**23.6m**	**5.03**

5. Outlook for Interest Rates

The Bank of England cut interest rates to 0.5% in March 2009, its lowest level in its 315 year history as part of a continued effort to aid an economic recovery. It is expected that the Bank Rate will remain at this level for some time, and is not predicted to start to rise before the end of 2010. Short – term money market rates will continue to pay at very low levels. This impact on investment income has been factored into 2010/11 investment budgets.

Financial markets remain reasonably volatile as the structural changes necessary within economies and the banking system evolve. This volatility provides opportunities for active treasury management. The Council will reappraise its strategy from time to time and, if required, realign it with evolving market conditions and expectations for future interest rates.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2010/2011

Part of the service offered by the Council's treasury advisers, Arlingclose Ltd, is to assist the Council to formulate a view on interest rates. The following table gives Arlingclose Ltd view:

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Official Bank Rate										
Upside risk				+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	**0.50**	**0.50**	**0.50**	**0.50**	**1.00**	**1.50**	**2.25**	**3.00**	**4.00**	**4.00**
Downside risk					-0.50	-0.50	-0.50	-0.25	-0.25	**-0.25**
1-yr LIBID										
Upside risk				+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	**1.25**	**1.25**	**1.25**	**1.50**	**2.00**	**2.75**	**3.50**	**4.00**	**4.25**	**4.25**
Downside risk					-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt										
Upside risk		+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	**2.60**	**2.70**	**2.80**	**2.90**	**3.00**	**3.25**	**3.50**	**3.75**	**4.00**	**4.25**
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt										
Upside risk			+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central case	**3.60**	**3.75**	**3.75**	**4.00**	**4.00**	**4.25**	**4.25**	**4.50**	**4.50**	**4.75**
Downside risk			-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt										
Upside risk		+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central case	**4.10**	**4.25**	**4.50**	**4.75**	**4.75**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt										
Upside risk	+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	**4.00**	**4.25**	**4.50**	**4.50**	**4.50**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**
Downside risk			-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

Outlook for the Economy

Credit - The availability of credit is still expected to remain restricted and credit conditions challenging, particularly as banks change their lending behaviour and lower their lending risk.

Inflation – The Bank's forecast is for CPI to rise in the next few months from higher commodity prices and VAT reverting back to 17.5%, but is forecast to remain below 2% in the short term, only surpassing the target in 2012. There is a risk that inflation overshoots in 2010 prompting a letter from the Bank's Governor to the Chancellor.

Labour Market – employment outlook remains uncertain. Pay freezes and job losses will continue into 2010.

7. Borrowing Strategy

The Council prefers to maintain maximum control over its borrowing activities as well as flexibility on its loan portfolio. A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising longer-term stability of the portfolio, consistent with the Council's Prudential Indicators. In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Chief Finance Officer will keep under review the options it has in borrowing from the PWLB, the market and other sources.

Any borrowing undertaken and the timing will depend on capital expenditure levels, interest rate forecasts and market conditions during the year in order to minimise borrowing costs. The Council will be advised by Arlingclose of the specific timing of borrowing. The overall borrowing must be within the Council's projected Capital Financing Requirement (CFR) and its approved Affordable Borrowing Limit.

The £1.2m PWLB prudential borrowing required for Gloucestershire Airport improvements has not yet been factored into 2010/11 prudential indicators as the timing of drawing down on this loan from PWLB has not been finalized yet. Further prudential borrowing from the PWLB may be required for the proposed improvements for the Everyman Theatre and new builds for Cheltenham Borough Homes. The Prudential indicators will be updated during 2010/11 accordingly.

8. Debt Rescheduling

The Council will continue to maintain a flexible policy for debt rescheduling. Market volatility may provide opportunities for rescheduling debt from time to time. The rationale for rescheduling would be one or more of the following:

- Savings in interest costs with minimal risk
- Balancing the ratio of fixed to variable debt
- Amending the profile of maturing debt to reduce inherent refinancing risks.

In September 2009, the PWLB issued a Consultation document, entitled 'PWLB Fixed Rates', where the PWLB is reviewing its rate setting (currently daily) and move to a live pricing basis. The likely outcome of this will see a reduction of the margins between premature repayment and new borrowing rates, particularly for longer maturities.

Any rescheduling activity will be undertaken following the rationale within the Council's Treasury Management Strategy. The Chief Finance Officer will agree in advance with Arlingclose Ltd the strategy and framework within which debt will be repaid/rescheduled if opportunities arise. Thereafter the Council's debt portfolio will be monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by Arlingclose Ltd and discussed with the Council's officers.

All rescheduling activity will comply with the accounting requirements of the local authority SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).

All rescheduling and any new long term borrowing undertaken will be reported to the Treasury Management Panel at the meeting following its action.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2010/2011

ANNUAL INVESTMENT STRATEGY

9. Investment Policy

The Council will have regard to the ODPM's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:

- Security of the invested capital;
- Liquidity of the invested capital;
- An optimum yield which is commensurate with security and liquidity.

As such it is important to restate the overall policy objective of the Annual Investment Strategy i.e. that:

> **'the council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity'.**

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below under the 'Specified' Investments categories.

Specified investments are investments offering high security and high liquidity. The investments will be sterling denominated with maturities up to a revised maximum of 1 year and meet the minimum 'high' credit rating criteria where applicable.

SPECIFIED INVESTMENTS
All "Specified Investments" listed below must be sterling-denominated.

Investment	Max Sum per institution/group	Maximum period
Debt Management Agency Deposit Facility* (DMADF) • this facility is at present available for investments up to 6 months	NONE	6 months
Term deposits with the UK government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	£5m	1 year
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	£7m	1 year

Non-specified investments are of greater potential risk. Given the current climate, the council will not use non specified investments.

10. Lending criteria

Period of loans

On the advice of the treasury advisors Arlingclose Ltd and in view of the current prevailing interest rates, the council has been advised to restrict lending to a maximum of 1 year.

Credit ratings

The credit crisis and exposure to Icelandic banks has focused attention on the treasury management priority of security of capital monies invested. An authorised ‘Counter party lending’ list is maintained by the treasury team on behalf of the Council’s Chief Finance Officer which includes those counterparties which meet the minimum criteria for lending. The Council will use both Fitch and Moody’s ratings to derive its criteria for lending. On the advice of Arlingclose Ltd in order to minimise risk, the Council will restrict lending to those institutions which meet the following minimum criteria, defined as:

Moody’s ratings:

Aaa – Aa3 are judged to be of the highest quality, with minimal credit risk for long term investments. The ratings from Aa may be modified by the addition of a 1, 2 or 3 to show relative standing within the category where the highest within the rating is 1 and 3 the lowest.

P-1 - Banks having this rating offer superior credit quality and a very strong capacity for timely payment of short-term deposit obligations.

Fitch ratings:

AAA - AA– Implies a bank with very high credit quality and denotes expectations of very low credit risk. They indicate very strong capacity for payment of long term financial commitments. The ratings may be modified by the addition of – or + where a + is higher rated within this category.

F1+ - Indicates the strongest capacity for timely payment of short term financial commitments.

The Council is alerted to changes in Fitch/Moody’s ratings through its treasury management advisors, Arlingclose Ltd. If a downgrade results in the counterparty/investment scheme no longer meeting the Council’s minimum criteria, its further use as an investment will be withdrawn immediately. Likewise if a counterparty/investment scheme is upgraded and meets the lending criteria then it will be added to the ‘counterparty lending list’.

The Council will monitor and update the credit standing of the institutions on a regular basis. It will not simply rely on credit ratings but will also consider alternative assessments of credit strength i.e. Statements of government support and information on corporate developments or market sentiment towards investment counterparties.

Size of deposits

Following the collapse of the world banking system, the advice from Arlingclose was to restrict new lending to institutions which had a minimum rating of AA-/F1+ UK, Building Societies, Local Authorities and the Government Debt Management Office for a maximum period of 1 year until further notice. This offers higher security and minimises risk in a period of economic uncertainty but reduces the level of investment returns.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2010/2011

In reviewing the lending criteria in view of the current market situation and based upon advice form Arlingclose Ltd the Council has restricted the lending list to a small number of very low risk counterparties. As such the following is recommended:

The current authorised lending list meeting the criteria is as follows:

TABLE 3 CURRENT COUNTERPARTY LENDING LIST & LIMITS

BANKS	COUNTRY	LONG	TERM	SHORT	TERM	LIMIT	TIME
		Fitch	Moody's	Fitch	Moody's	£	
Abbey (Santander)	GB	AA-	Aa3	F1+	P-1	7,000,000	1 Year
Barclays Bank plc	GB	AA-	Aa3	F1+	P-1	7,000,000	1 Year
HSBC Bank plc	GB	AA	Aa2	F1+	P-1	7,000,000	1 Year
Lloyds TSB Group Bank plc	GB	AA-	Aa3	F1+	P-1	7,000,000	1 Year
Royal Bank of Scotland	GB	AA-	Aa3	F1+	P-1	7,000,000	1 Year

BUILDING SOCITIES	COUNTRY	LONG	TERM	SHORT	TERM	LIMIT	TIME
		Fitch	Moody's	Fitch	Moody's	£	
Nationwide	GB	AA-	Aa3	F1+	P-1	7,000,000	1 Year

GOVT & LOCAL GOVERNMENT	COUNTRY	LONG TERM		SHORT TERM		LIMIT	TIME
		Fitch	Moody's	Fitch	Moody's	£	
Debt management account	GB	N/A	N/A	N/A	N/A	unlimited	6 Months
UK local authorities	GB	N/A	N/A	N/A	N/A	5,000,000	1 Year

The Council's shorter term cash-flow investments are made with reference to the outlook for the UK Bank Rate and money markets. For these monies, the Council will mainly utilise its business reserve accounts, Government's Debt Management Office and Term deposits with UK Banks in 2010/11

The existing lending criteria, although limiting the exposure to individual institutions, does not limit the exposure to a particular country. The Icelandic bank position has raised the potential to do so.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2010/2011

11. Icelandic banks

In early October 2008 all three of Iceland's major banks (Glitnir, Kaupthing and Landsbanki) collapsed following their difficulties in re-financing their short-term debt. In the UK, the Financial Services Authority (FSA) placed Kaupthing, Singer & Friedlander (the UK subsidiary of Kaupthing) into administration. The Council has logged claims for recovery of the deposits and some monies have been repaid in 2009, leaving deposits of £10.1m still to be repaid. The likely recovery rates or timescales for future repayments is still unknown at this time.

12. Annual Minimum Revenue Provision (MRP) Statement

The annual MRP Statement is disclosed in Appendix 2.

13. Reporting on the Treasury Outturn

The Chief Finance Officer will report to Council on its treasury management activities and performance against the strategy at least twice a year, one at budget setting and a year end review at closedown time.

The Treasury Management Panel will be responsible for the scrutiny of treasury management activity and practices.

14. Other Items

In CIPFA's revised Code for Treasury Management, it requires the Chief Finance Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

Annual MRP Statement

Background:

1. For many years local authorities were required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account was referred to as the Minimum Revenue Provision (MRP). In practice MRP represents the financing of capital expenditure from the Revenue Account that was initially funded by borrowing.

2. In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31st March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations required a local authority to determine each financial year an amount of MRP which it considers to be prudent. Linked to this new regulation, the Department of Communities and Local Government (CLG) produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.

3. The CLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by Full Council.

4. The broad aim of the Policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits. In the case of borrowing supported by Revenue Support Grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant. MRP is not required to be charged to the Housing Revenue Account. Where a local authority's overall CFR is £nil or a negative amount there is no requirement to charge MRP.

5. The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and Operating Leases may be brought onto the Balance Sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. CLG has therefore proposed amending the Capital Finance Regulations to ensure that the impact on the Revenue account is neutral, with MRP for these items matching the principal repayment embedded within the PFI or lease agreement.

MRP Options:

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

Option 1 – Regulatory Method:

7. This method replicates the position that would have existed under the previous regulatory environment. MRP is charged at 4% of the Authority's underlying need to borrow for capital purposes; the Capital Financing Requirement (CFR). The formula includes an item known as "Adjustment A" which was intended to achieve neutrality between the CFR and the former Credit Ceiling which was used to calculate MRP prior to the introduction of the Prudential System on 1st April 2004. The formula also took into account any reductions possible related to commutation of capital related debt undertaken by central government.

8. The General Fund MRP charge using this method is estimated at £0.424m for 2010/11.

Option 2 – CFR Method:

9. This method simplifies the calculation of MRP by basing the charge solely on the authority's CFR but excludes the technical adjustments included in Option 1. The annual MRP charge is set at 4% of the non-housing CFR at the end of the preceding financial year.

10. The General Fund MRP charge for this method is £nil for 2010/11.

Option 3 – Asset Life Method:

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

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

12. MRP commences in the financial year following that in which the expenditure is incurred or, in the year following that in which the relevant asset becomes operational. This enables an MRP "holiday" to be taken in relation to assets which take more than one year to be completed before they become operational.

13. The estimated life of the asset will be determined in the year that MRP commences and will not be subsequently revised. However, additional repayments can be made in any year which will reduce the level of payments in subsequent years.

14. If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure, where this would exceed 50 years.

15. In instances where central government permits revenue expenditure to be capitalised, the Statutory Guidance sets out the number of years over which the charge to revenue must be made. The maximum useful life for expenditure capitalised by virtue of a direction under s16(2)(b) is 20 years

16. MRP in respect of PFI and Operating Leases brought onto the Balance Sheet under IFRS falls under Option 3.

17. The General Fund MRP charge using this method is estimated at £0.221m for 2010/11. This estimate is based on a successful capitalisation direction of £4.430m in respect of Icelandic investments. MRP which relates to potential borrowing undertaken on behalf of Gloucestershire Airport, Cheltenham Borough Homes, and the Everyman Theatre has not been estimated at this stage as it is not clear when the borrowing will be undertaken. The use of the annuity method will ensure that the MRP liability incurred on these loans will be covered by the principle repayments from each third party.

Option 4 - Depreciation Method:

18. The depreciation method is similar to that under Option 3 but MRP is equal to the depreciation provision required in accordance with proper accounting practices to be charged to the Income and Expenditure account.

19. The General Fund MRP charge for this method is £nil for 2010/11

Conditions of Use:

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

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

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

    MRP Policy for 2010/11:

21. It is proposed that for 2010/11 the Council adopts Option 1 for Supported Borrowing and Option 3 for Unsupported Borrowing. For Option 3, the annuity method for calculating MRP will be used when applicable as it has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

Table 1

MRP under the CLG Guidance

MRP Options	1 Regulatory Method	2 CFR Method	3 Asset Life Method	4 Depreciation Method
Classifications of Capital Expenditure impacting on the CFR	Capital expenditure incurred before 1 April 2008			
	Supported Capital expenditure incurred after 1 April 2008		Unsupported Capital expenditure incurred after 1 April 2008	
			Expenditure capitalised by virtue of a Direction under s16(2)(b) of the Local Government Act 2003	
MRP Basis	Former regulations 28 and 29	4% of Non-Housing CFR	Equal Annual Instalments of Principal	Depreciation
Aspects of MRP charges	CFR excludes element attributable to Unsupported Capital Expenditure		EIP commences when asset operational	Depreciation MRP commences when asset operational
			Freehold land 50 years.	Depreciation MRP ceases when CFR component is £Nil
			Freehold land with structure >50 years	Depreciation MRP not adjusted for capital receipt
			Capitalisation periods	Depreciation MRP based on proportion of asset financed from "borrowing".
			PFI/Operating Leases brought on Balance Sheet under IFRS	