



Dear Sir / Madam

You are hereby summoned to attend a meeting of Council to be held in the Municipal Offices, Promenade, Cheltenham, GL50 9SA, on **Friday, 11 February 2011** at **2.30 pm** at which meeting the following business will be transacted and any other business which may be legally transacted at such a meeting.

Councillors
Anne Regan (Chair), Barbara Driver (Vice-Chair), Garth Barnes, Ian Bickerton, Nigel Britter, Tim Cooper, Bernard Fisher, Jacky Fletcher, Wendy Flynn, Rob Garnham, Les Godwin, Penny Hall, Colin Hay, Rowena Hay, Diane Hibbert, Sandra Holliday, Peter Jeffries, Steve Jordan, Robin MacDonald, Paul Massey, Helena McCloskey, Andrew McKinlay, Heather McLain, Paul McLain, John Rawson, Diggory Seacome, Duncan Smith, Malcolm Stennett, Charles Stewart, Klara Sudbury, Lloyd Surgenor, Pat Thornton, Jon Walklett, Andrew Wall, John Webster, Paul Wheeldon, Simon Wheeler, Roger Whyborn, Jo Teakle and Chris Coleman

Agenda

- 1. PRAYERS**
- 2. APOLOGIES**
- 3. DECLARATIONS OF INTEREST** (Pages 1 - 2)
- 4. TO APPROVE AND CONFIRM THE MINUTES OF THE MEETING HELD ON;
13 December 2010** (Pages 3 - 28)
- 5. PUBLIC QUESTIONS**
None received
- 6. APPOINTMENT OF MAYOR ELECT AND DEPUTY MAYOR 2011/12** (Pages 29 - 36)
Report of the Chief Executive
- 7. COMMUNICATIONS BY THE MAYOR**
- 8. COMMUNICATIONS BY THE LEADER OF THE COUNCIL**
- 9. MEMBER QUESTIONS**
Refer to separate sheet of questions and answers.

- 10. ART GALLERY AND MUSEUM DEVELOPMENT SCHEME** (Pages 37 - 46)
Report of the Cabinet Member Sport and Culture
- 11. SECTION 25 REPORT** (Pages 47 - 60)
Report of the Chief Finance Officer
- 12. FINAL GENERAL FUND BUDGET PROPOSALS 2011/12** (Pages 61 - 140)
Report of the Cabinet Member Finance & Community Development and Chief Finance Officer

The following is the recommended process to be followed for the debate relating to the Council's Budget for 2011 - 2012, (Agenda item 13). The rules of procedure shall be varied accordingly for this item only.

1. The Mayor to propose suspension of the following rules of debate:

- That the time limit on speeches is relaxed with regard to the following speeches:-
 - Cabinet Member Finance and Community Development, (F), when moving the motion to adopt the budget being proposed by the Cabinet ("the Cabinet's budget"), Stage 2(i).
 - Group Leaders when making Budget Statement on behalf of group, Stage 3(i) – (ii).
- To permit the Cabinet Member F and Group leaders to speak more than once in the debate, (in addition to any right of reply etc), for the purpose of putting and answering questions at Stage 2(iii).

2. Budget Statement and moving of motion.

- (i) The Cabinet Member F shall deliver the budget statement and formally move the resolutions set out in paragraph 1.2 of the report of the Cabinet Member Finance. (N.B. Not time limited)
- (ii) The seconder shall formally second the motion. (N.B. The seconder may reserve their speech until later in the debate prior to the closing speeches) 5 minute limit applies.
- (iii) Members may then ask questions of the Cabinet Member F (who may refer them to the Chief Finance Officer when appropriate), on matters relating to agenda item 13. (N.B. members are limited to one question only, without supplementary, and the Cabinet Member F shall wait until all questions have been put before responding).

3. Statements by Group Leaders

- (i) Statement on behalf of the Conservative Group including tabling but not moving, any proposed amendment to the Cabinet's budget. (no time limit)
- (ii) Statement on behalf of the People Against Bureaucracy Group including tabling, but not moving, any proposed amendment to the Cabinet's budget. (No time limit).

4. Formal moving, Seconding, debating, discussion and voting on any amendments tabled in the following order:

- People Against Bureaucracy Group
- Conservative Group

N.B.

- The Cabinet Member F has the right to a speech in reply at the end of the debate on any amendment. (10 mins).
- The mover of an amendment may speak to move the amendment, (10 mins), and also has the right of reply to the debate immediately before the speech of the Cabinet Member F. (10 mins).
- Amendments carried will become part of the substantive motion going forward. Once all proposed amendments have been debated and put to the vote the final version of the motion shall go forward to the next stage.

5 Consideration of Amendments

- (a) If the Cabinet's budget has not been amended, the Cabinet Member Finance and Community Development to formally propose the budget (no speech), and the final proposal will be debated and voted upon subject to the Cabinet Member F's right of reply (10 mins).
- (b) If the Cabinet's budget has been amended, before it is further debated and voted upon, the Mayor shall propose a brief adjournment in order that the Cabinet Member F can consider whether:
 - (i) the amendments are acceptable to the Cabinet - in which case the meeting will proceed as at (a) above; or
 - (ii) the amendments are not acceptable to the Cabinet - in which case, the meeting will

proceed as at (a) above save that, in accordance with the Budget and Policy Framework Rules, the Council may only make an in-principle decision which will be published and provided to the Leader of the Council for consideration.

13. **FINAL HRA BUDGET PROPOSALS FOR 2011/12** (Pages 141 -
Report of the Cabinet Member Finance & Community 156)
Development and Chief Finance Officer
14. **TREASURY MANAGEMENT POLICY AND ANNUAL** (Pages 157 -
INVESTMENT STRATEGY 2011/12 182)
Report of the Chief Finance Officer
15. **NOTICES OF MOTION**
None received
16. **TO RECEIVE PETITIONS**
If any
17. **ANY OTHER ITEM THE MAYOR DETERMINES AS URGENT AND WHICH REQUIRES A DECISION**

*****Note**

In order to assist members by providing satisfactory answers, it would be helpful if members would send questions in respect of any aspect of the budget to the Chief Finance Officer (Mark Sheldon) prior to the meeting.

Contact Officer: Saira Malin, Democracy Officer, 01242 775153
Email: democratic.services@cheltenham.gov.uk

Andrew North
Chief Executive

Public Information

Emergency Evacuation Procedure at the Municipal Offices

- (i) In the event of a fire you will hear a continuous alarm.
In the event of a bomb alert the alarm will sound in repeated short bursts.
- (ii) Members, officers and the public should leave the building promptly and in a quiet and orderly fashion using the nearest available escape routes and assemble on the Promenade footway by the War Memorial.

Attendance at Meetings - Local Government (Access to Information) Act 1985

Meetings are open to the public and a limited amount of public seating is available. Copies of the agenda will also be available. You may be asked to leave the meeting if any "exempt" (confidential) business is considered. This will normally be shown on the agenda

Inspection of Papers - Local Government (Access to Information) Act 1985

We can also arrange for copies of individual decision records, reports or minutes to be supplied. If you wish to inspect minutes or reports (other than those which are exempt) relating to any item on this agenda, please contact Democratic Services. The background papers listed in a report may also be inspected. Please notify Democratic Services who will arrange with the report author for papers to be made available to you at a mutually convenient time.

All meeting information is published on the Council's Internet website at:
www.cheltenham.gov.uk.

**If you have difficulty reading this agenda please let us know
and we will do everything we can to meet your requirements.**

COUNCIL PROCEDURE RULES – SUMMARY

Note: this summary is intended to assist members but where necessary reference should always be made to the actual Council Procedure Rules

1. RULES OF DEBATE

- (a) Once a motion has been proposed, no speeches can be made until it is seconded.
(Rule C6.2)
- (b) A member seconding a motion can reserve his or her speech until later.
(Rule C6.3)
- (c) Amendments:

- the Mayor may require a motion (including an amendment) to be written down and handed to him before it is discussed.
(Rule C5.3)
- only one amendment can be discussed at any one time, although notice of further amendments can be given
(Rule C5.6)
- before a vote is taken on an amendment, the order of speeches is
 - the mover of the amendment in reply
 - the mover of the substantive motion (usually the Chairman, Leader, Deputy)
(Rules C5.15 and C5.16)
- if the amendment is carried, it becomes the substantive motion to which further amendments can be made
(Rule C5.8)

(d) A member may alter a motion

- of which he gave notice, with the Council's consent
(Rule C6.7)
- which he had moved without notice, with the consent of both the Council and the seconder
(Rule C5.10)

2. WHEN A MEMBER MAY SPEAK MORE THAN ONCE ON A MOTION BEFORE THE COUNCIL

(a) A member who has spoken on a motion or an amendment may NOT speak again during that debate except

- in exercise of a right of reply as the mover of the motion
- except where an amendment is under discussion, to move an amendment in which case he/she shall not speak for more than three minutes.
- to speak to an amendment
- to a point of order
- in personal explanation

(Rule C6.5)

(b) **Point of order** – a member wishing to raise a point of order may do so at any time but the point of order **MUST ONLY** relate to an alleged breach of the Council Procedure Rules or the law **AND** the member **MUST** indicate

- the rule or law he considers has been broken
- how he considers that a breach has occurred

(Rule C5.23)

(c) **Personal explanation** – a member may make a personal explanation at any time **BUT** the “personal explanation” **MUST ONLY** relate to some material part of an earlier speech by that member which may appear to have been misunderstood in the present debate.

(Rule C5.24)

(d) The Mayor’s decision on whether a point of order or request for personal explanation is admissible is final.

(Rule C.5.25)

3. RECORDED VOTES

A recorded vote can be required by seven members.

(Rule C.8.5)

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CHELTENHAM BOROUGH COUNCIL

Council

Date:

DECLARATION OF INTEREST

Councillor _____

You are asked to complete this form if you intend to declare an interest in connection with any item on this agenda.

Please hand any completed form to the committee administrator at the meeting.

You are reminded that you are still required to declare your interest orally at the commencement of the committee's consideration of the matter.

Agenda item	*Personal interest	*Prejudicial Personal interest	**Nature of interest

Notes:

- *Please tick appropriate box
- **Please give sufficient information as to identify the existence and nature of the interest, for example – "This application relates to land that borders property owned by a friend of mine", "A relation of mine is a member of this body"
- "Personal interests" and "prejudicial personal interests" are defined and explained in the Council's Code of Members Conduct and summarised overleaf

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Council

Monday, 13th December, 2010

2.30 - 7.12 pm

Attendees	
Councillors:	Anne Regan (Chair), Garth Barnes, Ian Bickerton, Nigel Britter, Chris Coleman, Tim Cooper, Barbara Driver, Bernard Fisher, Jacky Fletcher, Wendy Flynn, Rob Garnham, Les Godwin, Penny Hall, Colin Hay, Rowena Hay, Sandra Holliday, Peter Jeffries, Steve Jordan, Robin MacDonald, Paul Massey, Helena McCloskey, Andrew McKinlay, Heather McLain, Paul McLain, John Rawson, Diggory Seacome, Duncan Smith, Malcolm Stennett, Charles Stewart, Klara Sudbury, Lloyd Surgenor, Jo Teakle, Jon Walklett, Andrew Wall, John Webster, Paul Wheeldon, Simon Wheeler and Roger Whyborn
Also in attendance:	

Minutes

1. **PRAYERS**
Reverend Maz Allen opened the meeting with a prayer.
2. **APOLOGIES**
Apologies were received from Councillor Pat Thornton and Councillor Rob Garnham had indicated that he would be arriving late at the meeting.
3. **DECLARATIONS OF INTEREST**
Councillors Rawson and Seacome both declared a personal interest in agenda item 9 as the borough council's nominated, non-voting observers on the Festivals Board.
Councillors Smith, Paul McLain, Sudbury, Wheeler and Garnham (later in the meeting) declared personal interests in the motion at agenda item 16 A, as they were all Gloucestershire county councillors.
During the debate on the motion under 16A, Councillor Whyborn declared a personal interest as a member of the Brizen Youth Centre management committee and Councillor Hall declared a personal interest as she had chaired a committee of Gloucestershire youth workers at Naunton Park.
4. **TO APPROVE AND CONFIRM THE MINUTES OF THE MEETING HELD ON 11 OCTOBER 2010**
Resolved that the minutes of the meeting held on 11 October 2010 be agreed and signed as an accurate record.
5. **PUBLIC QUESTIONS**
None received.

6. COMMUNICATIONS BY THE MAYOR

The Mayor advised that due to the austerity in the Civic Department she would not be sending Christmas cards to councillors this year.

7. COMMUNICATIONS BY THE LEADER OF THE COUNCIL

The Leader congratulated Councillor Smith on becoming Group Leader of the Conservative Party.

He advised members that following receipt of the details of the final government settlement Cabinet would be considering the budget proposals on 21 December 2010.

He advised that under the first phase of the Gloucestershire centre restructuring, the Gloucestershire Strategic Partnership along with the Chief Executives group and the Accountable Bodies Group would be replaced by a single Leaders' Board. This would include two Chief Executives to facilitate the process. A task and finish group had been set up to review how the voluntary sector should be engaged in the process.

8. MEMBER QUESTIONS

The following Member questions and responses were given.

1.	Question from Councillor Andrew Wall to Cabinet Member Sustainability, Councillor Roger Whyborn
	The current garden waste collection service is popular in Battledown and many residents are very disappointed that the Liberal Democrats are scrapping it in January. If the uptake from residents in the Battledown Ward for the new paid for service matches the Council's projections, can the Cabinet member confirm how much income will be raised from the ward each year under the scheme in addition to the Council tax paid?
	Response from Cabinet Member Sustainability
	At this stage, the council cannot estimate the amount of income raised in each ward under the new scheme. However of the 52,872 households in the Borough some 41,000 receive the garden waste service. Based on take up in other authorities, we are projecting that 20,000 households will sign up to the new service.. It is estimated that the council will generate additional income of £720,000 in 2011/12 from the scheme and new charge. This will offset the additional costs of acquiring new vehicles, bins the operation of the new scheme and help towards maintaining the refuse and recycling service at an affordable, competitive and sustainable cost given the current pressure of council finances and thereby protecting other valued services from significant cuts.
	In a supplementary question, Councillor Wall asked how many households in the Battledown Ward currently make use of the garden waste collection service. The Cabinet Member Sustainability advised that he did not have that information to hand but would ask officers to confirm the figures to

	Councillor Wall.
2.	Question from Councillor Andrew Wall to Cabinet Member Finance and Community Development, Councillor John Webster
	<p>A recent press release from the Council about the scrapping of the garden waste collection service contained the following text:</p> <p>"It is being withdrawn because it sees those who do not need or cannot receive the service subsidising the cost for those who do."</p> <p>Can the Cabinet member confirm how this principle is going to be applied to other Council services?</p>
	Response from Cabinet Member Finance and Community Development
	<p>The majority of council services are available to all residents and they have a choice as to whether they use them. However, some people do not have gardens or the need for the green waste service.</p> <p>Given the scale of this service and the fact that it is discretionary, it is not unreasonable to make a charge for it.</p> <p>In a supplementary question, Councillor Wall did not consider his question had been answered so asked again whether the council was adopting a new principle.</p> <p>In response the Cabinet Member advised that it was not a new principle. He gave the example of residents using the council's swimming pool for which they paid, but which is also funded from council revenue.</p>
3.	Question from Councillor Andrew Wall to the Leader of the Council, Councillor Steve Jordan
	<p>Previous Liberal Democrat administrations have been very active in writing to Government ministers to voice concerns about the effects of Government policy on the Council and the residents of Cheltenham. Has the Leader or any member of the Cabinet written to Danny Alexander, the Liberal Democrat Chief Secretary to the Treasury, regarding the Council's current financial state?</p>
	Response from the Leader of the Council
	<p>This council has responded to consultation on the proposed method of calculating future support grants but along with all other councils, is still awaiting the financial settlement for 2011/12 and beyond. If we feel we have been unfairly treated when we receive this we will lobby the relevant secretary of state.</p>
4.	Question from Councillor Penny Hall to the Cabinet Member Built

Environment, Councillor John Rawson	
	<p>At the Council meeting of 28th June 2010 during the discussions on the Financial Outcome Report I raised concerns with the Cabinet Member for the Built Environment on the £17,000 underspend on routine maintenance of the Municipal Offices and was informed that "given the accommodation review that was underway it was sensible to restrict maintenance to the minimum requirements necessary for health and safety"</p> <p>Can the Cabinet Member tell me</p> <ul style="list-style-type: none"> (i) It is 6 months later is this restriction still in place, if not when did it stop? (ii) Has this lead to a backlog of routine maintenance waiting to be done and if so have estimates been done of how long it will take to clear. (iii) I have heard of one accident in the Municipal Offices to a member of the public recently. How many accidents have taken place within the building over the last 6 months to; <ul style="list-style-type: none"> - Members of the public - Officers and Council employees (iv) Has a full investigation on each been done?
Response from Cabinet Member Built Environment	
	<ul style="list-style-type: none"> (i) Yes - all non-essential maintenance is still on hold pending the Accommodation Review. This includes routine works such as decoration of offices, replacement carpets and upgrading infrastructure. However it does not include any work necessary to protect the health and safety of the public or staff, which is being done as normal. (ii) Some works have been deferred, but this has not led to an insurmountable backlog. Routine maintenance works are usually programmed on a rolling basis. (iii) There have been just three incidents recorded this year relating to visitors to the Municipal Offices and an additional one in the car park to the front of the building which is owned by GCC. In one case a customer fainted in the Tourist Information Office. In another a customer tripped on the steps up to the main entrance. The accident in the car park was another case of a customer tripping and falling. <p>The fourth case, which is probably the case referred to by Cllr Hall, involved a visitor suffering a minor graze to the head when a piece of timber fell on him. The piece of wood in question was the head door stop of the entrance to the Council Chamber which broke off as a result of an impact. This is an unusual occurrence and property services staff have checked all the other doors for safety.</p> <p>In respect of all these accidents, medical aid was offered, though</p>

	<p>in the latter case it was declined.</p> <p>No staff accidents or injuries within the Municipal Offices have been reported this year.</p> <p>(v) All incidents were investigated by the property team.</p> <p>Can I add that the Accommodation Review is well under way and is expected to come forward to members in the early part of next year. This is a necessary exercise because currently the Municipal Offices provide significantly more accommodation than the Council needs. However, I hope it will not be too long before we are clearer about the future of our office accommodation and therefore its maintenance needs.</p> <p>In a supplementary question, Councillor Hall asked when the decision had been taken and whether the Cabinet Member still considered that it was a good idea given that he had referred to the upgrading of the infrastructure and the Municipal Offices were a valuable structure for the Council?</p> <p>In response the Cabinet Member said he was not in a position to advise exactly when the decision had been taken. Officers had advised that the building provided more office space than the council current required and so there was a need for some strategic planning and consideration of all options for the building. He hoped to have a strategy in place by Spring 2011 when the accommodation strategy was due to be reported to Cabinet. In the meantime it was sensible not to carry out any non-essential maintenance on the building. .</p>
5.	Question from Councillor Duncan Smith to Cabinet Member Sustainability, Councillor Roger Whyborn
	<p>Can the cabinet member confirm how many households currently use the Green Bag garden waste recycling in the following wards</p> <p>Charlton Kings</p> <p>Charlton Park</p> <p>Leckhampton</p>
	Response from Cabinet Member Sustainability
	<p>No ward-specific data has been produced. However the present scheme is open to 41,000 households across the whole town , regardless of whether residents choose to use it.</p> <p>Councillor Smith asked for clarification as the Cabinet Member's response to question 1 implied that ward specific data was available for Battledown ward?</p> <p>In response the Cabinet Member confirmed that it was possible to produce ward specific data but there was a fair amount of work involved.</p>

	<p>In a supplementary question, Councillor Smith asked given a 50% take-up rate, what would happen to the green waste if residents do not subscribe to the scheme,</p> <p>In response the Cabinet Member said it was premature to state a 50% figure and the phones had already been busy with applicants for the scheme. There were other facilities available for residents to dispose of their garden waste at the Swindon Road depot.</p> <p>As a matter of personal explanation, Councillor Smith said that the 50% predicted take-up was the Cabinet Member's own figure given in response to a previous question.</p>
6.	Question from Councillor Duncan Smith to Cabinet Member Sustainability, Councillor Roger Whyborn
	<p>Following the public meeting in Leckhampton that called for the Leckhampton White Lands and surrounding green fields in CBC and TBC jurisdiction to be designated as a Country Park, can the cabinet member explain what he has done to address this matter?</p>
	Response from Cabinet Member Sustainability
	<p>No approach has been made on this subject to myself. However I understand that a council officer has attended a meeting and officers are responding informally to questions. However as my colleague Cllr Webster advises in his reply to Q 11, it may well be that a petition organised by Leckhampton Green Land Action Group (LegLag) to create a Country Park on the Leckhampton White land will be presented to the Council shortly.</p> <p>In a supplementary question, Councillor Smith asked whether given that there may be plans for developing a thousand new houses on this white land, could the Cabinet Member takes some action now to prevent development of this land rather than waiting for a petition or for officers to resolve the matter.</p> <p>The Cabinet Member responded that he was fully supportive of the LegLag aims for this area and would do everything possible to assist them.</p>
7.	Question from Councillor Duncan Smith to Cabinet Member Corporate Services, Councillor Colin Hay
	<p>Can the cabinet member explain to Council when a personal and prejudicial interest should be declared and what action a councillor should take having made such a declaration?</p>
	Response from Cabinet Member Corporate Services
	<p>What is a personal interest?</p> <p>You have a personal interest in any business of your authority where it relates to or is likely to affect:</p>

1) An interest that you must register.

2) An interest that is not on your register but where the well-being or financial position of you, members of your family, or people or bodies with whom you have a close association, is likely to be affected by the business of your authority more than it would affect the majority of:

- inhabitants of the ward or electoral divisions affected by the decision (in the case of authorities with wards or electoral divisions)
- inhabitants of the assembly constituency affected by the decision (in the case of the Greater London Authority)
- inhabitants of the authority's area (in all other cases).

What should I do if I have a personal interest?

You must declare that you have a personal interest and the nature of the interest as soon as it becomes apparent to you in all formal meetings before the matter is discussed.

However, where an interest arises solely from membership of, position of control or management on:

- any other body to which you were appointed or nominated by the authority
- any other body exercising functions of a public nature, for example if you have been appointed as a school governor
- you will only need to declare your interest if and when you speak on a matter, provided that you do not have a prejudicial interest.

What is a prejudicial interest?

Your personal interest will also be a prejudicial interest if it meets all of the following conditions:

- a) The matter does not fall within one of the exempt categories of decisions under paragraph 10(2) (c), for example setting the council tax.
- b) The matter affects your interests financially or is about a licensing, planning or other regulatory matter that might affect your interests.
- c) A member of the public, who knows the relevant facts, would reasonably think your personal interest so significant that it is likely to prejudice your judgement of the public interest.

What should I do if I have a prejudicial interest?

You must declare that you have a prejudicial interest and the nature of that interest as soon as that interest becomes apparent.

You should leave the room unless members of the public are allowed to make representations, give evidence or answer questions about the

	<p>matter. If this is the case, you can also attend the meeting for that purpose.</p> <p>You must leave the room immediately once you have finished speaking, or when the meeting decides that you have finished (if that is earlier).</p> <p>If your authority does not provide members of the public with any right to speak, you would need to leave the meeting room after declaring the nature and extent of your interest. However, you can:</p> <ul style="list-style-type: none"> • Make written representations in your private capacity. These should be addressed to officers rather than members of the authority. • Use a professional representative to make an application, for example a planning application, on your behalf. • Arrange for another member of the authority to represent the views of your constituents.
8.	Question from Councillor Duncan Smith to Cabinet Member Housing and Safety, Councillor Klara Sudbury
	<p>Can the cabinet member confirm how many properties are owned by CBH and how many of those properties are currently vacant?</p>
	Response from Cabinet Member Housing and Safety
	<p>CBH do not directly own any properties as they are managers of CBC owned property. The total managed properties are 4606 tenanted plus 450 leaseholder properties.</p> <p>There are a total of 43 void properties.</p> <p>In general needs there are 31 voids including 6 approved for demolition , 6 awaiting action from CBC for disposal and 1 option appraisal void.</p> <p>There are 7 voids within shared ownership awaiting sale.</p> <p>There are 5 temporary furnished voids.</p>
9.	Question from Councillor Duncan Smith to Cabinet Member Housing and Safety, Councillor Klara Sudbury
	<p>How many homeless people are there living in Cheltenham Borough?</p>
	Response from Cabinet Member Housing and Safety
	<p>Street homeless - 1 following rough sleepers count carried out between 12.30am and 4.00am on 30th November 2010.</p> <p>Number of households accepted as homeless in the last quarter to end Sep - 6</p> <p>Number of homeless households in temporary accommodation as at end Sep - 28</p> <p>Number of homelessness preventions in the last quarter to end Sep - 96</p>

	<p>In a supplementary question, Councillor Smith asked given the number of void properties awaiting action by the council, what was the borough council doing to encourage Cheltenham Borough Homes to bring empty properties into use to provide temporary accommodation to support the homeless.</p> <p>In response the Cabinet Member reminded members that CBH was an arms length organisation and it was not her role as Cabinet Member Housing and Safety to tell them what they should be doing. She would be happy to take these comments back to them on an informal basis.</p>
10.	Question from Councillor Duncan Smith to Cabinet Member Housing and Safety, Councillor Klara Sudbury
	How many CBH properties still require bathroom and/or kitchens to be replaced?
	Response from Cabinet Member Housing and Safety
	There are 38 properties where the kitchens and/or bathrooms fail decency, all of which were refusals by the tenant previously for a variety of reasons. These properties form part of the internal works programme contract for 2011 but are still subject to the tenants approving the works being conducted. Should any of these properties become void then works will be carried out then.
11.	Question from Councillor Duncan Smith to Cabinet Member Finance and Community Development, Councillor John Webster
	Can the cabinet member confirm that he has plans to include funding for a Leckhampton Country Park in his forthcoming budget.
	Response from Cabinet Member Finance and Community Development
	<p>I am aware and have signed a petition organised by Leckhampton Green Land Action Group (LegLag) that wishes to create a Country Park on the Leckhampton White land. The Council will help and advise in this should the petition which is due to be presented to the forthcoming Council meeting be supported. Opportunities in the forthcoming Localism Bill may present themselves to achieve this and such work would fall under another portfolio.</p> <p>However, as I'm sure the Member for Charlton Kings will appreciate, in the current financial situation when substantial cutbacks are inevitable it would not be appropriate or politically acceptable to allocate funding for the creation or management and maintenance of such a park, and neither does the petition ask for this.</p> <p>In a supplementary question, Councillor Smith asked whether given the commitment of the Cabinet Member Sustainability to support LegLag, the Cabinet Member Finance and Community Development would like to reconsider his answer and give some consideration to supporting this voluntary community group.</p> <p>The Cabinet Member replied that he did support the group but it was not possible to allocate any long-term funding for the Country Park. This</p>

	aspiration would be more properly included in the Local Development Framework and Joint Core strategy if it was considered desirable to do so.
12.	Question from Councillor Duncan Smith to Cabinet Member Finance and Community Development, Councillor John Webster
	Can the cabinet member explain what he is doing to justify the inclusion of 'community development' in his title?
	Response from Cabinet Member Finance and Community Development
	The Voluntary and Community sector is blossoming in Cheltenham and there are challenges as well as opportunities in the current turbulent period. Regular meetings and contacts with the Community Regeneration Partnerships, Cheltenham Voluntary and Community Action, Council Officers and the Stronger Communities Partnership are necessary to ensure opportunities proceed, and any important developments will be reported to Overview and Scrutiny by myself when it is appropriate. Much of the most successful work relating to Neighbourhood management is taking place through the Neighbourhood Coordination Groups which I am sure Cllr Smith attends in his own area, as I do in mine. It would be too time consuming to report on all of these but it would be appropriate, should he wish it, to review its progress at some future date through Soc and Com O&S.
13.	Question from Councillor Duncan Smith to Cabinet Member Sport and Culture, Councillor Andrew McKinlay
	Can the cabinet member confirm he is committed to supporting Cheltenham Festivals through the next 3 years of their business plan?
	Response from Cabinet Member Sport and Culture
	I can confirm that I am committed to working with Cheltenham Festivals for the benefit of the people of Cheltenham. This commitment does not however imply that the Council will be able to provide the level of financial or in kind support assumed by Cheltenham Festivals in their business plan.
14.	Question from Councillor Duncan Smith to the Leader of the Council, Councillor Steve Jordan
	Can the leader explain to Council how often he expects his cabinet members to attend overview & scrutiny committee?
	Response from the Leader of the Council
	I would expect cabinet members to attend overview & scrutiny committee whenever requested to do so. In a supplementary question, Councillor Smith asked what action overview and scrutiny should take if a Cabinet Member did not attend a meeting he was asked to attend?

	The Leader responded that he as Leader should be advised and he would take the appropriate action.
15.	Question from Councillor Duncan Smith to the Leader of the Council, Councillor Steve Jordan
	What is the financial value of the support given by CBC to Cheltenham Strategic partnership and its feeder partnerships?
	Response from the Leader of the Council
	The council currently provides an annual allocation of £15,000 to support the work of Cheltenham Strategic Partnership and £5,200 to the Low Carbon Partnership. There is also one-off funding of £15,000 to the Business and Economic Partnership in the current year. This will be reviewed for the 2011/12 budget.
16.	Question from Councillor Duncan Smith to the Leader of the Council, Councillor Steve Jordan
	Can the leader confirm if he voted for the abolition of the Gloucestershire Conference and the creation of a commissioning partnership in its place?
	Response from the Leader of the Council
	<p>I broadly support the proposed streamlining of the Gloucestershire Conference Structure. This includes the replacement of the Gloucestershire Strategic Partnership, the Community Strategy Executive Board and the Accountable Bodies Group with a single new Gloucestershire Leaders Board (GLB). The membership will be the leaders of the county council and the 6 district councils plus the chairs of the PCT and the Police Authority and two Chief Executives, Pete Bungard and Mike Dawson (nominated by districts).</p> <p>I am concerned that there is no representation of the voluntary sector at this top level. Given the increasing dependence of the public sector on the voluntary sector to continue the provision of services to the community, it seems to me it will be essential to get the relevant input from the voluntary sector to make this work. Instead, a task and finish has been proposed to review how best the voluntary sector can be involved in Gloucestershire Conference,</p> <p>While the issue was discussed and my reservations noted at the recent ABG meeting, no vote was in fact taken.</p>
17.	Question from Councillor Barbara Driver to Cabinet Member Housing and Safety, Councillor Klara Sudbury
	During this freezing weather what have CBC done to help the homeless who have to sleep rough. What plans do you have to work with others in trying to get help to these people and what help are you planning in the months to come as it looks this weather will continue throughout the winter. How do CBC find out where these people are sleeping to get them the help. Do we have any idea as to the numbers of people

	sleeping rough?
	Response from Cabinet Member Housing and Safety
	<p>CBC worked with Cheltenham Housing Aid Centre on a rough sleepers count on 30th November. I am very grateful to the volunteers from CBC, CCP and Cheltenham Housing Aid Centre who worked in groups of 3 to cover the whole of Cheltenham, with a particular focus on the known hotspots based on intelligence provided by the churches, police and advice agencies. The count identified 1 rough sleeper.</p> <p>In view of the cold weather, the Borough Council has sent a message round to all agencies that are likely to be in contact with rough sleepers, via the Homelessness Forum, to send anyone believed to be rough sleeping to the Housing Options Team at Cheltenham First Stop in order for emergency housing to be made available for them for the duration of this very cold spell. To date, 1 rough sleeper has been identified and housed in emergency accommodation (i.e. a Bed & Breakfast).</p> <p>Intelligence on the number of rough sleepers comes from a wide range of agencies within the Homelessness Forum. We will continue to arrange accommodation for any known rough sleeper who is known to a relevant agency and who seeks help for the duration of any sub-zero night time temperatures and proactively engage with them to identify more suitable accommodation, such as supported housing thereafter.</p> <p>In a supplementary question Councillor Driver asked whether more people should be consulted when calculating the number of homeless people as she suggested the figure could be much higher if they consulted with the night-time pastors or the Salvation Army.</p> <p>In response, the Cabinet Member indicated that the figure was derived from a count of the homeless on one specific evening and she was satisfied that it reflected the position on that day. However she took the comments on board.</p>
18.	Question from Councillor Robin MacDonald to Cabinet Member Sustainability, Councillor Roger Whyborn
	<p>Following the decision to charge more for garden waste and separate kitchen waste there is a movement by Local Partnership to create Community Composting schemes.</p> <p>What part, if any, will the Council play in encouraging these schemes which are a direct result of the Council's decision and what are the revenue consequences if these schemes went ahead?</p>
	Response from Cabinet Member Sustainability
	<p>The principle of Composting is supported by the Council, whether that be in home composters or Community Composting schemes; indeed the Council supports sales of home composters at subsidised prices. No approaches have been made to the Borough Council for local Community Composting schemes, and it is not possible to estimate the revenue effects of these schemes. However, the Gloucestershire Waste</p>

	<p>Partnership supports community composting schemes and small grants may be available to fund set up costs. The County Council, as the waste Disposal Authority, pay recycling credits to accredited schemes to assist with ongoing funding.</p> <p>In a supplementary question, Councillor MacDonald whether the Cabinet Member's response applied to all the various schemes that might arise from the decision?</p> <p>In response the Cabinet Member advised that the council would support home composting in general terms however he advised that there were certain products that cannot be satisfactorily composted at home and officers could provide details. He confirmed that there was no charge for kitchen waste.</p>
<p>19.</p>	<p>Question from Councillor Jacky Fletcher to Cabinet Member Built Environment, Councillor John Rawson</p>
	<p>Following the request from Shire Hall to Cheltenham Borough Council to lift the restrictions which prevent bicycle users from cycling down the High Street and Promenade, may I ask that when considering this request the Cabinet bears in mind not only the some 25,000 registered disabled people but those others who because they are deaf, partially sighted and slow in movement. I think we all have no problem with the cyclists who act responsibly but it is those you see daily weaving in and out of the pedestrians as if they take precedent and unfortunately they are the majority. If you go down this path I am afraid accidents will happen. I am the CBC representative on the Pensioners' Forum and earlier this year concern was raised about the increase in cyclists on pavements and that the elderly and infirm were afraid of being knocked over by inconsiderate behaviour.</p>
	<p>Response from Cabinet Member Built Environment</p>
	<p>I hope Cllr Fletcher and the Council will forgive me for answering this question at some length, as I believe councillors deserve an explanation of the present situation, which they will only have read about in the local press.</p> <p>It is not the County Council that has asked the Borough Council to look at the issue of permitting cyclists to ride in the pedestrianised areas of the town centre. What appears to have happened is that the Borough Council asked the County Council to look at this some years ago. The Borough Council's view over a number of years has been that it is illogical and impractical to permit cycling in the Strand and Cambray Place but to ban it in the other pedestrianised areas. This view is shared by the police, who find the present arrangements very difficult to enforce.</p> <p>For some years, the proposal to allow cycling in pedestrianised areas where it is currently banned remained on the back burner. Then, in September 2009, it was discussed at a meeting of the Multi Agency Focus Group for Cycling. This is a body on which the Borough Council is represented, along with the County Council, Gloucestershire Highways</p>

and the police. The group decided on an initiative to reduce anti-social cycling while also relaxing cycling restrictions around the Promenade and other identified areas in the Town Centre and Lower High Street. Gloucestershire Highways was tasked with launching a safety audit and consultation exercise in preparation for a trial scheme to be introduced.

A few weeks ago, Gloucestershire Highways wrote to a number of organisations in the town to inform them that they were ready to proceed with this scheme.

The current position, as I understand it, is that Gloucestershire Highways have started work on their safety audit but that they will still need to carry out a consultation exercise before bringing in a traffic order to allow cycling in the pedestrianised areas for a trial period.

Speaking personally, I am sympathetic to the trial, and do not share Cllr Fletcher's view that a majority of cyclists behave irresponsibly. However, I do agree with her that the safety and wellbeing of pedestrians, especially older people and disabled people, need to be taken fully into account.

I am also concerned that it is several years since the issue was last discussed by the Borough Council. It is important that the Council should be involved in the consultation process, and therefore I have asked for the issue to be considered by the Environment Overview & Scrutiny Committee at its next meeting.

I believe the Council will want to clarify a number of issues in respect of the new traffic order.

First of all, I believe we will need to be satisfied that a sensible assessment of risk is made before the new traffic order is introduced. This should follow a careful study of pedestrian and cyclist behaviour in the Strand, where cycling is already permitted, and other pedestrianised areas.

Secondly, I believe we will need to be satisfied that the police can and will take action against anti-social and dangerous cyclists in the pedestrian area. Because cycling is permitted, that should clearly not mean that bad behaviour by cyclists is acceptable.

Thirdly, I believe the Borough Council would want to be involved in monitoring any experimental scheme, along with the police and Gloucestershire Highways, to ensure that it is working as intended.

Finally, can I refer to what Cllr Fletcher says about the problem of cyclists riding on the pavements. This is a separate issue from cycling in the pedestrianised areas, which are generally very wide and capacious. However, it is an issue which I would be very happy to take up with the police.

In a supplementary question, Councillor Fletcher advised that she had attended a recent meeting of the CBC forum and asked for the Cabinet

	<p>Member's assurance that the safety of pedestrians and disabled people would be paramount in the Civic Pride principles of design.</p> <p>He referred to his previous answer and stated that the Environment Overview and Scrutiny Committee will be invited to give their views on this matter.</p>
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9. PETITION REGARDING IMPERIAL GARDENS

The Mayor outlined the procedure for dealing with petitions as this was the first time one had been debated at Council under the new petitions scheme. She welcomed Fiona Wild, the petition organiser, to the meeting and invited her to present the petition.

In her statement, Fiona Wild said that the Imperial Gardens were the heart of the town and the magnificent array of flowers was one of the first things people noticed when they came to Cheltenham. Whilst enjoying the gardens they also spent money in the town and boosted the local economy. Whilst attending the Literature Festival, she had heard people comment that the festival should not be allowed to become any bigger or to spread any further. The sponsors' marquees had already caused several beds to be removed and the Festival seemed very successful as it is. If any more space were needed then Montpellier Gardens should be used. In her view the flowers in the gardens enhanced the festivals and were there all the time for people to enjoy whereas the festivals and their marquees were only there for a few weeks of the year. She praised the creativity of design in the planting which made Imperial Gardens so different from the landscaping of Montpellier Gardens. She urged Council not to destroy it through misguided short-termism but to consider how popular the flowers are and how much they add to the general ambience of the town.

The Mayor advised that she had agreed to a request from Mr David Stennett, representing the Friends of Imperial Gardens, for him to address the meeting.

Mr Stennett expressed his concerns that the use of the gardens by the festivals was expanding to an unacceptable level. He was also concerned about the lack of remedial work following the use of the gardens by the festivals and considered that they had been left in a shameful condition. He referred to a letter from the Chief Executive to the Friends of Imperial Gardens which had indicated that officers would be working closely with the organisers of the festival's to achieve a balance and organise appropriate repairs. He concluded that the parks and gardens should be there for the benefit of the public and this had been enshrined in an act of Parliament for the last hundred years.

The Mayor invited the Cabinet Member Sustainability to make a statement. He welcomed the opportunity to respond to the petitioners and said it was his intention to maintain the gardens for the public, for residents, tourists and indeed festival goers to enjoy. He acknowledged that the effect of the Festivals on the turf had been unsatisfactory and this would be addressed in 2011 in

conjunction with Cheltenham Festivals. He also intended to work with them to try and reduce the occupancy rate below the current 107 days per year.

He recognised that the Festivals provide a key and expanding part of Cheltenham's economy and tourism. Providing a suitable venue for the Festivals was very important to the town and he acknowledged the Festivals' needs to expand in the future. He stated that he intended there to be no change to the area of Imperial Gardens available to the Festivals in 2011. They would be able to hire Montpellier Gardens, the details to be negotiated, and this would be very necessary in view of the Everyman Theatre not being available in 2011.

For the future, in 2012 and beyond, the use of Imperial and Montpellier Gardens would be discussed with both Cheltenham Festivals and other stakeholders. He explained that he would be meeting with the petitioners and officers later this week and would be arranging a meeting with key stakeholders in January.

In response to the petition, he said that the Council would be retaining the flowerbeds but there may be some changes and the council would need to seek funding for any work. He concluded that the Gardens belonged to the people of Cheltenham and after listening to them, their elected representatives would make the decision based on what they believed was best for the town.

Councillor Whyborn, seconded by Councillor Surgenor, proposed the following motion:

"Council recommend that Cabinet bring forward proposals to address matters in Imperial Gardens relating to Cheltenham Festivals within three months, and that any such proposals will first be the subject of consultation with the petitioners and stakeholders, and scrutiny by the Environment Overview and Scrutiny Committee"

Councillor Paul McLain proposed an amendment to the motion that the matter should also be subject to scrutiny by the Economy and Business Improvement Overview and Scrutiny Committee which would facilitate scrutiny of the economic aspects as well as the environmental ones.

This amendment was accepted by the proposer.

In response to a question from a member, the Cabinet Member Sustainability confirmed that the consultation with stakeholders would include Friends of the Gardens, local residents, local ward councillors, the Festivals, the Civic Society and Cheltenham in Bloom who would all be invited to the meeting he was arranging in January.

Upon a vote the motion as amended was agreed unanimously.

10. RECOMMENDATIONS FROM CABINET

These were included in other agenda items.

11. MEMBERS' ALLOWANCES REVIEW

The Assistant Chief Executive introduced her report which had been circulated with the agenda. She gave apologies on behalf of the chair of the Independent

Remuneration Panel (IRP) who had intended to be present at the meeting but had been called away on urgent business.

She explained that this year the panel had convened to carry out a full review required every four years under legislation. The IRP had been made fully aware of the council's budget situation and had taken this into account when making their recommendations which were set out in section 5.1 of the report.

The Leader of the Council thanked the panel for their work on members' allowances which he acknowledged was a difficult and controversial issue. His inclination was to accept the recommendations and he also advised Members that as part of the budget process, his Cabinet members would be accepting a voluntary reduction in their Special Responsibility Allowances (SRAs).

Councillor Surgenor and Councillor Fletcher, speaking as chair and vice-chair of Planning Committee respectively, were pleased that the IRP had acknowledged the responsibilities of both the chair and vice-chair and noted the recommendations for the related increases in their SRAs. However in view of the current budget situation they advised that although they wished the increases to be approved in the overall scheme, it was their intention to request that they personally did not accept any increases in their SRAs.

Another member referred to the recommendation regarding provision of a laptop or VPN link for every member that required it. He requested that the Council chamber and committee rooms were rewired so that members could bring their laptops into meetings. This would result in considerable savings in printing committee papers and would therefore be a very green initiative.

Another member pointed out that a number of members did not have a council laptop and the proposal would be unfair to those who were not computer literate and therefore the previous suggestion was not relevant to the recommendations.

Upon a vote the recommendations of the IRP were agreed unanimously.

Resolved that:

- 1. The recommendations set out in the IRP report and summarised in part 5 of the covering report be adopted and the Assistant Chief Executive Council be authorised to implement any necessary changes to the scheme of allowances**
- 2. The Borough Solicitor and Monitoring Officer be authorised to make any necessary changes to Council's constitution.**

12. REVIEW OF NORTH PLACE & PORTLAND STREET DEVELOPMENT BRIEF & CIVIC PRIDE URBAN DESIGN FRAMEWORK

The Cabinet Member Built Environment introduced the report. The report explained that on 27 July 2010 Cabinet had approved a consultation exercise on the proposed revisions of the North Place and Portland Street Development Brief and its associated technical appendix; the Cheltenham Civic Pride Urban Design Framework Supplementary Planning Document (SPD). These revisions were considered necessary by the Cheltenham Development Task Force in

order to reflect current market conditions and enable greater flexibility in the type and mix of uses that could be accommodated on the site.

He stressed that whilst the SPD was far more flexible than before, there would still be high standards set for the quality of the development.

Consultation had been key to the development of the brief and a wide range of comments had been received. He was pleased that many of the suggestions had now been incorporated. He thanked the Strategic Land Use Team for their work in carrying out the consultation and drafting responses.

In summary he said it was the most significant development scheme in the town in the last 30 years. It would bring huge environmental improvements as well as creating jobs and boosting the local economy.

Councillor Fletcher declared an interest as a member of the board of trustees for Dowty House. She highlighted the need for the developers to take great care in this area particularly with regard to the distance between buildings.

A member suggested that the reference to underground car parking in 5.2 was not strong enough and developers would be unlikely to consider this if it was presented as an option. Forcing developers to introduce underground car parking would improve the environment and free up land.

Another member was concerned about the cost of underground car parking which could be as much as 10 times the cost of over-ground parking and asked where the council would get the money from. Another member suggested that if developers were forced to fund this, this would reduce the potential funding for other improvements paid for by the developer which the council might negotiate.

A member sought reassurance that land would not be sold for a supermarket in order to finance the rest of the development. He also commented that the risk assessment in appendix 1 was inadequate and asked what would happen if the council did not get a developer for the site. Was that the end of Civic pride?

Other members made the following comments and questions:

- There was a reference to restricting the number of storeys in residential properties to 5, was there a similar intention to restrict the number of storeys in commercial properties?
- Would the 300 car parking spaces be in addition to car parking provided as part of a business or residential development?
- In reviewing the proposals members should be looking at the bigger picture and the vision for the next 20 years.
- It was important not to be too restrictive with developers and the council must be flexible and work with them.
- The scheme was important for raising funds for improvements in other areas of the town such as Royal Well, Town Hall and Imperial Gardens.
- Could members have clarification on the process and when it would come back to members?

In response the Cabinet Member Built Environment advised that there was an acknowledgement of the need for sensitivity in the West and North of the scheme and Dowty House was specifically mentioned in the report. He advised

that in some areas of the development a five-storey property might be acceptable as there were some existing properties of this height in the area.

He was satisfied that the brief directed developers to consider underground car parks as an option but he felt it would be dangerous to insist on this.

He reminded members that the Council had appointed the development task force as a group of professional experts and had intentionally put it at arm's length from the council. There was a balancing act between aspirations and the need for a sound financial business case. The permitted uses were clearly set out in the brief and this did include retail use. He confirmed that under the development brief, developers would be expected to meet the car parking needs of businesses and other facilities on their sites as part of the development.

He concluded that there would be ongoing review by the Environment Overview and Scrutiny Committee. The committee had already received a detailed presentation on the scheme which had been welcomed by members. He would be happy to arrange for this presentation to be offered to all members if there was a demand.

Upon a vote the recommendations were CARRIED.
Voting: For 34, Against 2 and no abstentions.

Resolved that the revised Cheltenham Civic Pride Urban Design Framework Supplementary Planning Document (Appendix A) under section 23 of the Planning and Compulsory Purchase Act 2004, including the revised North Place and Portland Street Development Brief (Appendix B) be adopted.

13. REVIEW OF THE COUNCIL'S CONSTITUTION

Councillor Jordan, as chair of the Staff and Support Services Committee introduced the report. He thanked the members of the constitution working group. The recommendations in the report were in response to the Action Plans approved by the Council in March 2010. He advised an amendment to recommendation 2. to allow one further meeting of the Staff and Support Services Committee to deal with one outstanding item of business as set out in 3.1 of the report. A further amendment was that the membership of the constitution working group as set out in Appendix 2C, would be increased to five members.

Regarding the Appointments Committee, he had been advised that with the current political proportionality the committee of 9 members, could be made up of 3 Conservatives, 5 Liberal Democrats and 1 PAB or a 3,6,0 split. He indicated he was happy with a 3,5,1 split and requested Group Leaders to make their nominations on that basis as a matter of urgency given the need to make appointments in the new structure. The chair and vice-chair would be determined at the first meeting of the committee. He indicated that the group had concluded that it was not necessary to set up a permanent working group to look at staff issues but this could be set up at any time if there proved to be a need.

As a member of the constitution working group, Councillor Smith gave thanks to the Borough Solicitor and the Monitoring Officer for her work.

Upon a vote the recommendations were carried unanimously.

Resolved that Council:

1. **Accepts the recommendation of the Constitution Working Group that the Staff and Support Services Committee should be discontinued.**
2. **Implements recommendation 1 above with effect from the decision of the Council on the 13th December 2010 subject to the need for one further meeting of the Staff and Support Services Committee.**
3. **Approves the amendments to the Employee Scheme of Delegation and the membership and functions of the Constitution Working Group set out in Appendix 2 subject to there being up to 5 members on the working group.**
4. **Approves the setting up of an Appointments Committee with the membership and functions set out in Appendix 3.**
5. **Approves the revisions to the functions of the JNC Disciplinary Committee and the setting up of a JNC Appeals Committee as set out in Appendix 4.**
6. **Approves the revised Article 14 of Part 2 of the Council's Constitution as set out in Appendix 5.**
7. **Approves the revised Article 13 of Part 2 to the Council's Constitution as set out in Appendix 6 and revisions to Part 3H of the Constitution as set out in Appendix 7.**
8. **Approves the amendment to Rule 14 of the Council Procedure Rules (Voting on appointment of statutory officers) as set out in paragraph 5.2.2 of the report at Appendix A.**
9. **Approves the amendment to Rule 14 of the Council Procedure Rules and to the corresponding Rules in the Cabinet, Committee and Overview and Scrutiny Procedure Rules (Recording of Number of Votes), as set out in paragraph 6.1.2 of the report at Appendix A.**
10. **Approves the revised Protocol for Member/Officer Relations as set out in Appendix 9**
11. **Authorises the Borough Solicitor to make any further minor amendments to the Constitution which are consequential upon the changes approved by the Council**

14. STRATEGIC COMMISSIONING

The meeting adjourned for tea between 4.10 and 4.45 pm. Following this adjournment the Mayor had to leave the meeting so the chair was taken by the Deputy Chair, Councillor Barbara Driver.

The Chief Executive introduced his report which had been circulated with the agenda. He emphasised that in producing the report he had consulted widely and for the purposes of brevity he had not circulated the consultants report to the meeting although it was available to all members.

He acknowledged that at this stage the role of members was not as clearly defined as some members would like. However he emphasised that this

section 4 report was concerned with the proposed officer structure. The members working group had been set up to help define member involvement going forward.

He emphasised the huge implications arising from the government financial settlement and the Localism Bill. He considered that the recommendations for the officer structure were fit for purpose in the context of the new Coalition government's agenda which it would be unwise to ignore. Indeed he felt there was no realistic alternative as maintaining the status quo was not an option.

He acknowledged that some members thought that commissioning was just good management and officers should just get on and do it. In his view the important difference was to start with a much clearer idea of the desired outcomes for citizens and the community. Commissioning did not assume there would be no in-house delivery in the future but decisions would be made on the basis of the most effective business case. It opened up opportunities for the voluntary and community sector and it was not a case of all services being transferred to the private sector. He had circulated an outline plan to councillors which provided an indicative timetable for when services would be reviewed.

From his consultation with members, he concluded that members were supportive of the need to reduce the number of Assistant Directors. He emphasised the importance of the role of the Strategic Directors in their management to date of key change projects such as GO and Civic Pride so it was logical for them to take on the commissioning role in the new structure.

Finally he stressed that the project was very much frontloaded and therefore the "one-off" resource of £80,000 funded from virement as recommended by Cabinet would be very welcome to manage the transition period.

The Leader indicated that his party would be supporting the recommendations. He emphasised that member involvement and public involvement would be key when the future of each service was being considered. He also encouraged members of overview and scrutiny to come forward with their own ideas on how they wish to be involved in the monitoring of the services in the future.

A member expressed concerns that the officer structure had been mapped out but there was still a big gap in the definition of how members and residents would be involved. He had raised these concerns back in June and he now wanted to see firm proposals. He wanted to know what the organisation would look like in six months time and he considered that defining the member framework should be a priority. It also concerned him greatly that he did not know the reasons for moving forward with commissioning.

Other members concurred that there were concerns about members roles and it was particularly important that backbenchers were able to feel more accountable to their electorate going forward. They acknowledged the need to give their feedback to their Chief Executive when requested and to get involved.

Another member supported the direction of travel but struggled with the rationale for the section 4 report. It seemed premature to be recommending an officer structure and officers must take councillors with them. There was also a risk of overview and scrutiny being excluded and a protocol was needed to set

out how scrutiny would be monitoring contracts in the future. There was also a gap in defining who residents would go to if they were not satisfied with the service being provided.

Without a proper business case, it did not seem the right time to cut back on resources and put in place a structure which was appropriate for the endgame but not necessarily appropriate for the transition period.

A member suggested that members must be able to have trust and belief in the management team in taking strategic commissioning forward and it was important for members to ensure the right management team was in place.

Other members supported the need to improve services and that there was no time to waste given the current financial challenges.

In response the Chief Executive stressed that all members had been invited to give their views. He did not feel it was for him as Chief Executive to bring forward proposals for members' involvement. His role was to facilitate it by bringing members together so that they could come up with the definitions. There was a need to define a business case and public engagement but that was not an issue for the section 4 report. He was confident that the officer structure would support the transition period and emphasised the additional funding to address any initial shortfalls.

Upon a vote the recommendations were CARRIED.

Voting For: 29 with 2 absentions

Resolved that:

- 1. The Chief Executive's proposals for a Strategic Commissioning Council be approved and the new Council structure as set out in this report and in Appendices A and B be agreed**
- 2. A 'one-off' resource of £80,000 be set aside, funded from virement as recommended by Cabinet, as outlined in section 4 of the report.**
- 3. It be noted that formal consultation (stage 3 as set out in Appendix C) on the proposed new structure will be undertaken with affected employees**
- 4. The newly constituted Appointments Committee (or appropriate sub-committee) be requested to conduct and complete any necessary recruitment or redundancy processes at Assistant Director level (including the AD Resources/s151 Officer) and to agree such terms and conditions of appointment or dismissal as may be necessary in order to facilitate the new structure**

15. 2010/11 TREASURY SEMI ANNUAL REPORT

The Chief Finance Officer introduced the report and highlighted the key points. He explained that the Treasury Management Code of Practice was updated in Nov 2009. The code now requires treasury activities to be reported to Council at least twice a year i.e. a mid term report and a year end outturn report.

In response to a question from a member, he referred members to the lending policy set out on page 186 which stated that new investments were restricted to UK banks.

The Chief Finance Officer updated members on the government settlement which had been announced earlier that day.

Upon the vote the recommendations were agreed unanimously.

Resolved that in compliance with the requirements of the CIPFA Code of Practice the report be noted.

16. NOTICES OF MOTION

Councillor Sudbury, seconded by Councillor Jeffries, proposed the following motion.

“This council wishes to recognise the very significant contribution Gloucestershire Youth Service and its staff make in Cheltenham both in youth centres and with regard to detached youth work. We also recognise the many voluntary groups, who play an important role in youth provision in the town.

Cheltenham’s youth centres are highly valued, provide positive opportunities for young people in a safe environment, have a positive impact on young people’s development and are widely regarded as helping reduce anti-social behaviour in our communities.

This Council notes the planned budget cuts and service changes contained in Gloucestershire County Council’s Meeting the Challenge proposals. Whilst accepting that the County faces difficult budgetary pressures and a need to make savings, this Council is concerned that the budget cuts to young people’s services will mean an end to highly valued County Council funded universal youth provision.

Therefore this Council:

- 1) Resolves to ask the Chief Executive of Cheltenham Borough Council to write to the Leader of Gloucestershire County Council asking him to reconsider the decision to withdraw all County Council youth work activity from youth centres and to allocate only £50k to each district to help community and other groups to extend existing services and create new ones;
- 2) Seeks urgent discussions with County to clarify their future proposals and how best we can work with them to provide best possible youth service;
- 3) Will seek wherever possible to work in partnership with the County Council, community and voluntary groups and the young people themselves to strengthen and develop the future of universal youth services in the town; and

- 4) Asks Cheltenham Borough Council Cabinet to develop plans on how to allocate the funding available to achieve the best possible outcomes for the benefit of our young people and the rest of the community.

In supporting the motion she praised the work of the youth workers and volunteers.

Councillor Paul McLain, as the County Cabinet Member Lead for Children and Young People offered some outline context to the proposals made. The County Council had to save £108 million in next year's budget and unfortunately that would result in some services having to cease. A consultation exercise had been carried out and although subjective it was also quantitative and the public had expressed a view that services for adults, social care and vulnerable children should all be protected. There was also a huge increase in the cost of children in care particularly those with multiple disabilities. The proposed cuts were not a criticism of the work of Youth Services but it was simply a case that the council could no longer afford to provide them. The policy was to replace universal youth provision with targeted youth work and prevention. Although he had no problems with the motion he challenged members to come up with an alternative for the funding of Youth Services.

In supporting the motion members made the following points:

- Many young people were already in trouble and therefore a policy of prevention was shortsighted and could be counter-productive.
- What if community groups and volunteers did not step forward to fill the gap left when youth centres have to close? It would not be an option for other agencies to pick up the work given that they were under the same financial pressures.
- The proposed cuts would be implemented in March therefore there was very little time to deal with the void left. The cuts went too far and were too fast.
- The police were concerned that antisocial behaviour may increase if universal youth work declines
- Young people themselves were upset that their youth clubs were going to be closing
- A small amount of extra resource for youth services would make a huge difference
- There was evidence that initiatives such as the opening of the Brizen Youth Centre project and Naunton Park had reduced the level of antisocial behaviour and their dedicated teams had done some very positive work with young people
- It was a misconception that youth centres were only needed in areas of high deprivation and areas in the south of Cheltenham and the town centre also needed these services.
- How would the county monitor the 1300 young people currently receiving youth service provision in Cheltenham? (Councillor Paul McLain agreed to provide a briefing note)

A member indicated that he would be happy to support the motion because there was a need for the County Cabinet to come back with a more coherent policy. However he questioned the precise wording of the motion in that

discussions were already under way with the County and the council should already be doing 3). He hoped that the Cabinet would be taking the action requested in 4) as a matter of course. Another member highlighted that there was no money left at the County Council for these services and therefore tough decisions were needed.

In her summing up, Councillor Sudbury indicated that she had been hoping for unanimous support for the motion and was disappointed that some members had questioned the precise wording. The motion was designed to give young people a voice and to value the work that was being done.

Upon a vote on the motion was CARRIED.
Voting: For 27 with 4 abstentions.

17. TO RECEIVE PETITIONS

The Deputy Mayor announced that the Mayor had today received a petition with a total of 2130 signatures.

“The petition urged the Council to allocate a designated area to the south of Cheltenham (including the land formerly known as the Leckhampton White Land, Brizen Farm and Land West of Farm Lane) that shall be protected from inappropriate large-scale development.

This area of land is of high local community interest due to its attractiveness, views in an out of the AONB and the contribution it makes to the setting of Cheltenham. We also highly value its easy accessibility for informal recreation, local food production, wildlife, environmental and ecological interest.

We suggest that although parts of this area are in Shurdington, this designated land may for convenience (at the council’s discretion) become known as LECKHAMPTON COUNTRY PARK.”

The petition was handed to Democratic services for the appropriate process to be followed.

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

As the Council had been in session for over four hours, upon a vote the members unanimously agreed to continue the meeting.

19. NEW EXECUTIVE ARRANGEMENTS

The Assistant Chief Executive introduced her report which had been circulated with the agenda. She explained that the Council had a statutory obligation to adopt new executive arrangements; either a new style strong leader and cabinet model or a directly elected Mayor and cabinet model. There had been a period of public consultation resulting in 1000 hits to the website and 1 person responding. They had been in support of the strong leader model. The DCLG had advised that the new arrangements must be adopted by the end of December 2010 hence this report to Council.

Resolved that:

- 1. A new style strong leader and cabinet model be adopted to take effect from May 2012**
- 2. The Borough Solicitor and Monitoring Officer be authorised to update the Council Constitution to facilitate the new executive arrangements as set out in paragraph 3.4 of the report.**

Anne Regan
Chairman

Cheltenham Borough Council

Council – 11 February 2011

Appointment of Mayor and Deputy Mayor 2011-12

Accountable member	Cabinet Member Corporate Services, Councillor Colin Hay
Accountable officer	Chief Executive, Andrew North
Accountable scrutiny committee	n/a
Ward(s) affected	All
Significant Decision	No
Executive summary	<p>Councillor Barbara Driver has served as Deputy Mayor since last year's Annual Council Meeting and Members will be asked to elect her as Mayor at this year's Annual Meeting.</p> <p>The Members shown as 1 – 6 at the head of the Order of Precedence in Appendix 2 have been approached to ascertain if they are willing and able to have their name put forward for appointment as Deputy Mayor for 2011-2012. Councillor Duncan Smith indicated a willingness to put his name forward as Deputy Mayor subject to no other eligible councillor wishing to do so.</p>
Recommendations	Council note the Order of Precedence in Appendix 2 and that Councillor Barbara Driver and Councillor Duncan Smith will be put to the Annual Council Meeting for election as Mayor and Deputy Mayor respectively for the municipal year 2011-2012.

Financial implications	<p>The allowances for Mayor and Deputy Mayor have been included in the budget proposals for 2011/12.</p> <p>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>Whilst the Council operates the Rules Relating To Order Of Precedence Of Members as a local convention, the Council has final discretion as to which members it appoints as its chairman and vice-chairman.</p> <p>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>None</p> <p>Contact officer: Amanda Attfield, Amanda.attfield@cheltenham.gov.uk, 01242 26 4186</p>

Key risks	None Page 30
Corporate and community plan Implications	The Mayor and Deputy Mayor promote the corporate and community objectives in carrying out their role as civic heads.
Environmental and climate change implications	None

1. Background

Page 31

- 1.1 The rules relating to order of precedence of Members were amended by Council on 17 March 2008 and are attached as Appendix 1.
- 1.2 As part of that change it was agreed that once a councillor has achieved the office of Mayor they should remain at the bottom of the Order of Precedence in date order and should not be eligible to hold the office again unless all those above them on the Order of Precedence have chosen not to accept the honour or do not qualify for selection.
- 1.3 In addition it was agreed that a member would not be eligible for consideration as Mayor unless they had a minimum of four years service prior to taking up office and a minimum of 3 years service prior to becoming Deputy Mayor.

2. Reasons for recommendations

- 2.1 The Council's Constitution provides that the Mayor shall be elected and the Deputy Mayor appointed annually at the Annual Council Meeting.
- 2.2 The Constitution also provides that in order to assist the Council the Chief Executive will maintain a list of members (called the "Order of Precedence") showing members' total service on the authority and, if appropriate their period of service since they served the Borough as its Mayor. This list is attached as Appendix 2.
- 2.3 Whilst the Council must formally make these appointments at the Annual Council Meeting, in accordance with the Constitution, the Order of Precedence is presented to the first Council meeting in the calendar year.

3. Alternative options considered

- 3.1 All the councillors with more service than Councillor Smith formally declined to have their names put forward for the position of Deputy Mayor.

4. Consultation and feedback

- 4.1 Not applicable

Report author	Contact officer: Rosalind Reeves, Democratic Services Manager Rosalind.reeves@cheltenham.gov.uk, 01242 774937
Appendices	1. Rules relating to order of Precedence of Members 2. Order of Precedence
Background information	n/a

THE RULES RELATING TO THE ORDER OF PRECEDENCE OF MEMBERS

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

- their service on Cheltenham Borough Council,

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

2. To be eligible for consideration as Mayor a member must have had a minimum of four years service prior to taking up office.
3. To be eligible for consideration as Deputy Mayor a member must have had a minimum of three years service prior to taking up office.
4. The Deputy Mayor appointed to serve as such in a particular municipal year will be elected Mayor for the following municipal year provided he or she is willing, and remains eligible, to accept that office.
5. If the Deputy Mayor is unwilling or ineligible to accept nomination as Mayor, the nomination will be offered by the Head of Paid Service, following consultation with the Monitoring Officer, to members in accordance with The Order of Precedence until a member is able to accept the nomination.
6. Not later than 31st December in any year the Head of Paid Service (or the Monitoring Officer on his or her behalf) will approach the member at the head of The Order of Precedence (other than the Deputy Mayor) to ascertain if he or she is willing to accept nomination as Deputy Mayor for the next municipal year.
7. If the member approached by, or on behalf of, the Head of Paid Service is unwilling or unable to accept the nomination, the Head of Paid Service (or the Monitoring Officer on his or her behalf) will approach members in accordance with The Order of Precedence until a member is able to accept the nomination.

The Head of Paid Service will inform the Council of the member's willingness to accept nomination at its first ordinary meeting in the new calendar year.
8. The fact that a member approached by, or on behalf of, the Head of Paid Service is unwilling or unable to accept nomination as Deputy Mayor for a particular municipal year, shall not prevent that member being approached again in accordance with The Order of Precedence.
9. Where members have equal periods of service, a member with unbroken service on Cheltenham Borough Council will take precedence over a member with broken service.
10. Members who have served the borough as Mayor will be moved to the bottom of the Order of Precedence and will only be considered for selection if no other member is interested in taking on the position of Deputy Mayor/Mayor or is eligible to do so.

11. The precedence between members who notwithstanding paragraph 9 have equal periods of service on Cheltenham Borough Council shall be decided by lot conducted prior to the first ordinary meeting of the Council following municipal elections.
12. Any questions arising as to the application of these rules shall be determined by the Head of Paid Service, following consultation with the Monitoring Officer, and in consultation with the Group Leaders.

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**The Order of Precedence
2011/2012**

Councillor (Mayoral Year)	Date of Election/period of Service of Members who have not yet served as Mayor	Total Service up to end of 2010 - 2011 Municipal Year or where appropriate period since Mayoral year
A McKinlay	1991 -	20 years
S A Jordan	1986-1992, 1994, 1995-1999, 2002	20 years
P D McLain	1996 -	15 years
S J Holliday	1996 -	15 years
D J Smith	1998 -	13 years
B Driver	1999 -	12 years
D C Seacome	2000	11 years
M Stennett	2000	11 years
D L Hibbert	Nov 2000	10+ years
N C Britter	2002	9 years
S Wheeler	2002	9 years
W L Flynn	2002	9 years
C P Hay	1991 – 1995, 2006	9 Years
A S Wall	2004	7 years
J T Webster	2004	7 years
H McLain	1998 – 2002, 2008	7 years
R Hay	2002-2008, 2010	7 years
C Coleman	2002-2008, October 2010	6 years
P L Hall	2006	5 years
P S Massey	2006	5 years
T Cooper	2008	3 years
B Fisher	2008	3 years
K Sudbury	2008	3 years
P Wheeldon	2008	3 years
R Whyborn	2008	3 years
C Stewart	July 2009	1+ years
I Bickerton	2010	1 year
P Jeffries	2010	1 year
H McCloskey	2010	1 year
J Teakle	2010	1 year
J Walklett	2010	1 year
PREVIOUS MAYORS		
P M Thornton (1996 -1997)	Previous Mayor	14 years
L G Godwin (1997-1998)	Previous Mayor	13 years
G W Barnes (2003 - 2004)	Previous Mayor	7 years
R E Garnham (2004 – 2005)	Previous Mayor	6 years
J Fletcher (2006 – 2007)	Previous Mayor	4 years
J O Rawson (2007 – 2008)	Previous Mayor 1980-1987,2004	3 years
R MacDonald (2008 - 2009)	Previous Mayor 1998-	2 years
L M Surgenor (2009-2010)	Previous Mayor 1996-2000, 2002	1 year
A Regan (2010-2011)	Current Mayor 1994 - 1998, 2002	0 year

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Cheltenham Borough Council

Council – 11 February 2011

Update on the Art Gallery & Museum Development Scheme

Accountable member	Cabinet Member for Sport and Culture, Councillor Andrew McKinlay
Accountable officer	Museum, Arts & Tourism Manager, Jane Lillystone
Accountable scrutiny committee	Social and Community
Ward(s) affected	All
Key Decision	Yes
Executive summary	<p>The Art Gallery & Museum fundraising campaign has achieved current funding commitments of £4,630,475 towards the Development Scheme total of £6,300,000 - leaving an outstanding shortfall of £1,669,525.</p> <p>To address the funding shortfall, the Art Gallery & Museum have submitted a second-round bid to the Heritage Lottery Fund (HLF) for £750,000; and further funding applications / approaches for £369,525 through the Development Trust. The aim is to reach a total of £5,750,000, for construction to start in summer 2011.</p> <p>To complete the overall funding target, it is proposed to raise the final £550,000 through the Phase III campaign, to be launched from April 2011, and completed by December 2011.</p> <p>The decision on the outcome of the HLF bid will be announced during March 2011. Recent changes with the Heritage Lottery have resulted in the need to ensure that the fundraising campaign either secured or had underwritten £5,550,000 – before the second-round application could be submitted.</p> <p>As a result of the changes to Heritage Lottery Funding a report was taken to Cabinet on 26th October 2010, to consider a number of funding options regarding the Scheme. Cabinet resolved to support the underwriting of any shortfall to the £5,550,000 funding required for the Development Scheme (excluding the £750k HLF bid) up to a maximum of £922,000 and to recommend to Council that this is agreed as part of the budget process for 2011/12.</p>
Recommendations	<ol style="list-style-type: none"> 1. Cabinet recommend that Council, subject to a wholly successful HLF bid, approve the underwriting of any shortfall to the £5,550,000 funding required for the Development Scheme up to a maximum of £922,000. 2. Approve the final project cost of £6.3m as outlined in the report.

Financial implications

There is a current shortfall in total funding of £1.669m, as shown in paragraph 1.6 to this report. A successful Heritage Lottery Fund award of £750k would reduce the overall project shortfall to circa £919k. The Cabinet are recommending that this shortfall is underwritten to a maximum value of £922k. There are a number of scenarios which need to be considered:

- 1) The council receive the full £750k from a successful lottery application but no further funds can be raised, requiring the council to fund up to the maximum amount of the underwritten sum of £922k.
- 2) The council receive less than £750k from a successful lottery application which would mean that, depending on other fundraising activity, the maximum amount underwritten could be exceeded.
- 3) The council is unsuccessful in its lottery application and the council is faced with a shortfall up to £1.669m which could mean that, depending on other fundraising activity, the maximum amount underwritten would be exceeded.

If scenario 1 were to materialise, the council may need to re-assess the priority of existing funding streams or reserves, consider the use of any future capital receipts or could consider prudential borrowing.

In considering existing funding streams or reserves, Members would need to decide which other programmes of activity would not be undertaken e.g. planned maintenance or capital investment.

In considering the use of future capital receipts, Members need to be mindful of their alternative use i.e. the potential to make treasury management decisions (repay debt premium) which could help address the projected funding gaps and avoid future cuts in services. As a rough guide, a capital receipt of £1m could result in a circa £90k revenue saving.

Turning to prudential borrowing, given the MTFS projections it is difficult see how the council could fund the cost of prudential borrowing (as a rough guide, every £1m of prudential borrowing would cost circa £90k per annum) unless:

- (i) the business plan for a new building produces a saving over and above that assumed in the BtG programme (£50k) to finance the borrowing costs
- (ii) the outcome of a commissioning exercise for leisure, which may not be for some time, generated enough savings to finance the borrowing costs or
- (iii) the council made cuts to other council services to finance the borrowing costs.

Should scenario 2 or 3 materialise, given the uncertainty of the council's financial position I would recommend that the council fully re-consider the project, taking into account the very latest position on capital receipts and the fundraising activity. Given the current financial outlook for the council, as Section 151 Officer, I would have strong reservations that funding any sum above the proposed amount of £922,00 recommended for underwriting could be afforded unless potential mitigating plans outlined in (i) to (iii) above were developed.

Contact officer: Mark Sheldon, Section 151 Officer

mark.sheldon@cheltenham.gov.uk, 01242 264123

Legal implications	<p>The existing contractual arrangements may need to be terminated if the Council does not resolve to underwrite the finances and the development scheme terminates in consequence.</p> <p>Contact officer: Nicolas Wheatley, Solicitor nicolas.wheatley@teWKesbury.gov.uk, 01684 272 695</p>
HR implications (including learning and organisational development)	<p>None as a direct result of this report.</p> <p>Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 26 4355</p>
Key risks	<p>The Art Gallery & Museum Development Scheme is included within the corporate risk register and a risk assessment is shown in Appendix 1 to this report.</p>
Corporate and community plan Implications	<p>The Art Gallery & Museum Development Scheme is included within the corporate business plan (2010-11) within the outcome: <i>Arts and culture are used as a means to strengthen communities, strengthen the economy and enhance and protect our environment</i>, and specifically under 'improvement actions', as: <i>Start work on the Art Gallery and Museum extension project.</i></p>
Environmental and climate change implications	<p>Sustainability, and the impact of environmental /climate changes, has been a core requirement of the design scheme for this project. Taking into account the relationship between highly controlled environments for the exhibition galleries and collections stores – the design and construction of the new development will use a mixture of both passive and active features towards building energy efficiency i.e. using natural/reclaimed materials in construction, including natural ventilation (where feasible) and the integration of brise-soleil on the south-facing façade, through to installing high efficiency condensing boilers (running at low temperatures to maximise performance). The whole scheme is also currently going through a bespoke BREEAM assessment – and through a range of measures – including consultation with local stakeholders, adherence to good practice ventilation rates, the re-use of previously adopted land and the minimum emission of nitrogen oxides from the heating source – the proposal aims to achieve the best possible BREEAM rating, practicable in line with the aspirations of Cheltenham Borough Council.</p>

1. Background

- 1.1 In April 2005 Cabinet commissioned a strategic review report on culture in Cheltenham, to ensure this was healthy and developing in a sustainable way. The Cultural Review document was approved by Cabinet in March 2006 – outlining the major conclusions and the Council actions to be taken as a result of the findings, which included outline proposals for the construction and refurbishment costs of £4m, as part of a development scheme at the Art Gallery & Museum.
- 1.2 Since the DPA review, progress on the scheme has been steadily maintained, and in June 2007, a two-stage RIBA Open Design Competition was launched. The competition brief asked for a design solution that could provide larger temporary exhibitions spaces, improved storage / archive / display areas, general improvements for enhanced visitor facilities and a new pedestrian link between Clarence Street and Chester Walk. A total of 77 international entries were received, and following two stages of public consultation, shortlisting and views from an expert Advisory Panel and the Competition Jury Panel, the architects, Berman Guedes Stretton (an Oxford / London based practice) were appointed.
- 1.3 A fundraising strategy has been developed which proposes three stages of fundraising. Phase 1 was launched from May 2008 with a significant allocation from the Summerfield Charitable Trust of £750k - following the final judging for the RIBA Open Design Competition in January 2008. Their proposal was conditional upon the Council allocating a further £2m towards the fundraising campaign (in addition to the £0.5 million earmarked from the sale of the former Axiom building) - and in July 2008 the Council made a commitment to contribute £2 million to the redevelopment of the Art Gallery & Museum. The Midwinter redevelopment was expected to deliver this £2 million contribution. However, with negotiations over Midwinter still ongoing, it was prudent to look for other sources for this capital.
- 1.4 The 2009/10 budgets – agreed by Full Council in February 2009 – proposed to create a £2 million Art Gallery & Museum Development Reserve, which was funded by way of £1,684,300 allocation from the EU Restoration Grant and a £315,700 contribution from the Capital Reserve. This support, and commitment from the Council, ensured that the campaign maintained momentum and credibility – and by June 2009, Phase I (fundraising) had reached £3,300,000 million.
- 1.5 To assist further with the fundraising a Development Trust has also been established (during September 2008), and this has enabled the AG&M to access significant grants and donations - which might not otherwise be forthcoming.
- 1.6 Since the launch of the Phase II fundraising campaign in November 2009, an additional amount of £1,230,475 has been fundraised from foundations/trusts. Offers have recently been received from the University of Gloucestershire for £60k and a further £40k from the Friends of Cheltenham Art Gallery & Museum's 100k club. (The friends of the AG&M have already contributed £150k to date and have indicated that they are seeking to raise a further £100k). These offers will bring the total funding Phase II commitments to £1,330,475. The overall total of funding commitments is therefore £4,630,475, leaving an outstanding shortfall of £1,669,525 against the overall target of £6.3m.

To address this shortfall, the Art Gallery & Museum have been working on a second-round bid to the Heritage Lottery Fund (HLF) for £750k; and further funding applications /approaches for £369,525 are being pursued.

The aim is to reach a total of £5,750,000, to enable construction to start during 2011, in line with proposed timescales / key milestones. To complete the overall target, it is proposed to raise the final £550,000 through a Phase III fundraising campaign – to be launched from April 2011, and completed by December 2011.

A summary of the current funding position of the project is as follows:-

Phase	Target	Achieved	Shortfall	Timescale
Phase I	£3,300,000	£3,300,000	£0	March 2009
Phase II	£2,450,000	£1,330,475	£1,119,525	March 2011
Phase III	£550,000	-	£550,000	December 2011
Total	£6,300,000	£4,630,475	£1,669,525	

1.7 A first-round application was submitted to the HLF in November 2009 (for a grant of £750k); and in March 2010, they confirmed that the bid had passed the first-round. The submission of the second-round stage was due by the end of November 2010 – and a decision on the outcome will be announced during March 2011. However, HLF indicated that the fundraising campaign would need to have secured or underwritten (excluding their grant) the shortfall amount, before the second-round application could be submitted. Therefore, in the light of the HLF decision, a report was taken to Cabinet on 26th October 2010, to determine which options (outlined briefly below) should be pursued – with both options 1 and 2 requiring the Council to underwrite the shortfall for the submission of the HLF second-round bid.

Option 1	Close the Art Gallery & Museum from 1st January 2011 – in line with the current timescales to commence the de-canting programme of the collections, stores, facilities and office spaces / equipment etc.
Option 2	Delay the closure of the Art Gallery & Museum until 31st March 2011 - when the HLF decision is known.
Option 3	Re-scope the current design for a scheme costing £4.5 million
Option 4	Re-scope the current design for a scheme costing £2.5 million
Option 5	Abandon the Development Scheme project

The decision from the meeting, resolved that:

1. Option 2 is pursued as the best option.
 2. The cabinet supports the underwriting of any shortfall to the £5,550,000 funding required for the Development Scheme up to a maximum of £922,000 and Cabinet recommend to council that this is agreed as part of the budget process for 2011/12.
- 1.8 Progress is also continuing on the Phase II Fundraising Campaign. The second-round bid to HLF for £750k was submitted on 19th November 2010 – with a decision expected in early March 2011. Assuming a successful lottery award of £750,000, the shortfall from Phase II would be £369,525. The Development Trust are still committed to ensuring that this shortfall is pledged confirmed by summer 2011 – and that the Phase III Fundraising Campaign (to raise the final £550,000) is launched from April 2011. In the event of the HLF being successful it is proposed that the Art Gallery & Museum will be shut from 1st April 2011.

1.9 For the de-canting of the on-site stores, galleries, facilities and offices, the Art Gallery & Museum have been allocated a larger store at the Depot and a ground-floor shop space (3 St. Georges

Place) - for the location of a temporary base for family activities - during the closure period. The AG&M are not being charged rental for these spaces – just covering costs for Business Rates, heating and security systems.

- 1.10 The AG&M has also partially closed the Summerfield Galleries (from the 20th-century area, and including the Arts and Crafts Collection Movement gallery), from 20th September, so that work can begin on the start of the refurbishment work for the Arts and Crafts Collection Movement gallery – the grant (funded by the Museum, Libraries, Archives Council) needs to be spent by March 2011.
- 1.11 A series of off-site exhibitions and projects, under the banner ***Off the wall, on the move***, are being planned throughout the closure period. These will take place in and around Cheltenham, in partnership with other organisations and venues. The overall objective of the activities will be to provide a lively and inspiring programme through which the Art Gallery & Museum can consult, engage and develop new audiences – as well as continuing to engage and interact with current audiences.
- 1.12 A number of partnerships are currently being pursued for the long-term future of the Art Gallery & Museum. In particular, an approach has been made (by the AG&M) to the University of Gloucestershire (Faculty of Media, Art & Communications), for a possible collaboration in hosting their existing touring exhibitions (in the light of their closure of the Summerfield Gallery / Pittville Campus), evening events / workshop sessions for students, and also offering work /project placements for post-graduate courses. Further meetings are being arranged with the University and the Summerfield Trust (who originally grant-aided funding for the Summerfield Gallery) – to date, the University have offered £60k towards the Development Scheme fundraising campaign (as outlined above) - and discussions are ongoing.
- 1.13 The AG&M is also in discussions with a Gloucestershire-based crafts guild to operate from the ground floor retail area within the new development scheme. The aim will be to create a 'crafts hub' within the new development, linking into the AG&M's designated Arts and Crafts Movement collection, and in turn, supporting the local economy / creative industries.

2. Progress to Date - Building Scheme Design

- 2.1 Work has now been completed up to Stage F (within the RIBA Design Stages) - which in effect means collating and issuing detailed information / drawings for planning conditions and Building Regulations – including architectural, structural and M&E production information. The AG&M have also been advised by the Quantity Surveyors, Davis Langdon (QS), that work for producing and managing the tendering process for the contractors should start this winter / spring – in order to ensure that the contractors costs can be confirmed and fixed. Meetings have subsequently been arranged with the Council's Procurement Officer - to advise the QS on the preparation of the OJEU notice (to conform with CB Council procurement procedures) – and the OJEU notice was published on 28th January 2011.

2.1.1 Planning Application

- 2.1.2 A planning application was submitted initially in February 2009 – prior to this submission, a public display of the design scheme was held at the AG&M, and visitors / local interest groups had the opportunity to consult with the architects on the design. This application however, was withdrawn in April 2009, to allow more time to review various elements of the design with English Heritage and CABE. After further consultation, a revised application for planning permission was submitted at the beginning of June 2009, and the Planning Committee of Cheltenham Borough Council approved planning permission for the revised designs on 23rd July 2009. Subsequently, by separate letters both dated 25 August 2009, the Secretary of State for Communities and Local Government has granted Listed Building Consent to carry out works in connection with the extension and Conservation Area Consent for the demolition of 53 and 55 Clarence Street and two derelict cottages on Chester Walk. The Secretary of State became involved because a local authority is not authorised to grant itself Listed Building Consent or Conservation Area Consent.

2.1.3 Design Changes

2.1.4 The approved plans for the new extension will still provide 475 sq metres of additional gallery space, with additional storage / study facilities and dedicated areas for lifelong learning, education outreach services and arts development programmes. The ground floor provides a more prominent and accessible entrance to the Art Gallery & Museum – with a café, shop and reception / new tourist information area – creating a pedestrian route through the building from Clarence Street to Chester Walk (designed to draw people into the building from the street), and opening up a ‘new gateway’ to St Mary’s Church. The revised designs also include a new roof- top terrace, providing views out to the church. The building is designed to be eco-friendly – using a mixture of both passive and active features towards building energy efficiency i.e. using natural / reclaimed materials in construction, including natural ventilation and the integration of brise-soleil (where feasible), installing high efficiency condensing boilers (running at low temperatures) and commissioning a feasibility study for incorporating a ground source heating system – and the whole scheme will go through a BREEAM assessment.

2.1.5 Value Engineering

2.1.6 As the design scheme has progressed, rigorous Value Engineering (VE) has take place to ensure that value is optimised for both the design scheme and the budget. This means that construction and project costs (including building materials) have been extensively reviewed to ensure that money is being spent appropriately in relation to the project design. The original target of £4 million for construction and refurbishment has been met (based on one-stage construction), and from a cost assessment undertaken during Stage D (post-Planning Application) costs are continuing to remain within budget. The overall project will cost £6.3 million and includes the impact of design changes outlined above as well as construction / refurbishment, prelims / contingencies, fees / surveys and full galleries fit-out.

3. Consultation and feedback

- 3.1 Extensive consultation with the public, key stakeholders and organisations has been at the core of the commissioning / procurement process for the Development Scheme project, from the launch of the Royal Institute of British Architects Open Design Competition to a permanent public display of the design scheme at the Art Gallery & Museum.
- 3.2 Throughout this period (and prior to the planning application), the architects have given several presentations of the design scheme to interested groups, such as the Cheltenham Civic Society and Friends of Cheltenham Art Gallery & Museum. Design consultation meetings have also been held with the wider AG&M team (including volunteers), the Summerfield Trust, AG&M Development Trust, Friends CAG&M Committee meetings, CBC: Cabinet / Social and Community O&S Committee, Strategic Board, Planning, Heritage & Conservation and Building Control, as well as English Heritage and CABE South West (Commission for Architecture and the Built Environment).

Report author	Jane Lillystone, Museum, Arts and Tourism Manager : 01242 775706, jane.lillystone@cheltenham.gov.uk
Appendices	1. Risk Assessment.

Background information	Culture in Cheltenham – Planning for a Sustainable Future : David Pratley Associates Report 2005 Cabinet Reports : March 2006, April 2007, April 2008, September 2009 October 2010 Council Reports: July 2008, February 2009 (Budget Setting Council)
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Risk Assessment – Art Gallery Museum Development Scheme – Council Report Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	Contractual: If the Art Gallery & Museum Development Scheme does not proceed the council are contractually liable for fees associated with the completion of the project.	SP	May 2008	1	1	2	Accept	Contracts have been awarded in accordance with the RIBA practice. Therefore all payments are made on a staged payment basis and therefore the council are not liable to any additional beyond the stage that the scheme has reached Stage F.	Oct 2010	SP	Yes
1.02	Reputation: If the Art Gallery & Museum Scheme is aborted this may result in negative and adverse publicity in the media as well as criticism by stakeholders and funding partners which may reflect poorly on the reputation of the on the council.	SP	Oct 2010	4	6	24	Reduce	Ensure communication strategy is in place with the media & key stakeholders. However, this risk may be reduced as a result of the current economic climate, as the public and stakeholders may be sympathetic to the reduction in funds available since the original development scheme proposals were drawn up.	Oct 2010	SP	Yes
1.03	External: If the council aborts the	JL	Oct 2010	3	6	18	Reduce	Provide future funding partners\organisations	TBC	SP	No

	Development Scheme there is a risk that any future funding bids in respect of the AG&M may be unsuccessful							with necessary assurances\ guarantees prior to submission.			
1.04	Financial: If the AG&M Development Scheme is not effectively project managed there is a risk of the scheme failing to be delivered within the capital budget.	AD Wellbeing & Culture	June 2007	3	4	12	Reduce	Prince II project management controls to be put in place for building construction phase. Provision has been made with the Development Schemes budget for appointment of a dedicated project manager for the scheme, based on similar appointments to previous capital investment build projects : Redevelopment Cheltenham Recreation Centre Leisure@ (2004-6) & Leisure@ Flood Reinstatement Project (2007-8)	Project plan milestone : Appointment of Project Manager - December 2010 – this date will be revised, pending the outcome of the Council report.	Museum and Arts Manager Jane Lillystone	Yes

**Cheltenham Borough Council
Cabinet – 8 February 2011
Council – 11 February 2011
Section 25 Report**

Accountable member	Cabinet Member for Community Development and Finance, John Webster
Accountable officer	Section 151 Officer, Mark Sheldon
Accountable scrutiny committee	all scrutiny committees
Ward(s) affected	All
Key Decision	Yes
Executive summary	<p>This report fulfils the requirement under Section 25 of the 2003 Local Government Act for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents covering the robustness of estimates and adequacy of reserves.</p> <p>The Act requires Councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.</p>
Recommendations	1. That Cabinet / Council consider this report in agreeing the budget and level of council tax for 2011/12.

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Mark Sheldon.</p> <p>E-mail: mark.sheldon@cheltenham.gov.uk</p> <p>Tel no: 01242 264123</p>
Legal implications	<p>There is a legal requirement under Section 25 of the 2003 Local Government Act for the Section 151 to prepare a report to council.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@tewkesbury.gov.uk</p> <p>Tel no: 01684 272012</p>
HR implications (including learning and organisational development)	<p>HR implications are outlined in the main budget report.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
Key risks	See risk register at Appendix 1 of the main budget report.

Corporate and community plan Implications	See main budget report.
Environmental and climate change implications	See main budget report.

1. Background

- 1.1 The purpose of this report is to fulfil the requirement under Section 25 of the 2003 Local Government Act for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents covering the robustness of estimates and adequacy of reserves. The Act requires Councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.

2. Robustness of the estimates

- 2.1 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

- 2.2 At the time of preparing the budget the inflation allowances built into the base figures for 2011/12 were a reflection of the available indices with an allowance to reflect the expected trend into 2011. The September 2010 rates for the 'Consumer Prices Index' (CPI) was 3.1% and for the 'All Items excluding Mortgage Interest Payments' (RPIX) was 4.6%. The latest indices available for December 2010 are for CPI 3.7% and for RPIX 4.7%. Contract inflation has been allowed for at the appropriate contractual rate e.g. utilities budgets reflect negotiated rates.
- 2.3 In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures. Whilst this creates natural efficiency saving across the Council, it will be important to continue to monitor this policy to ensure that budgets are sufficient to provide services.
- 2.4 **I am confident that service managers have sufficient budgets to fund supplies and services based upon prevailing pay and price levels in 2011/12.**

Employee costs – pay / turnover

- 2.5 In line with government policy, employee budgets for 2011/12 do not allow for a pay award but do allow for contractual incremental progression for some staff that are below the top of their grade. The net cost of service assumes an employee turnover saving of around 3% of gross pay budget which equates to an estimated annual saving of c£400,000. Based on previous year's experience this has been achieved but, given the current economic situation and the impact of the job market on turnover, this needs to be closely monitored.
- 2.6 Currently the unions are lobbying for a pay award for lower paid workers for a flat rate of £250 for those earning under £21k per annum. This would cost the authority around £88k. Given the financial settlement and the uncertainty over whether this will be supported, no budgetary provision has been made for this. Had this been built into the budget, additional savings with potential staffing implications would have had to be made. The decision to deal with any financial consequences of an agreement above a pay freeze within the revised budget for 2011/12 is prudent given the uncertainty and implications of allowing for it.

- 2.7 Given the government proposals that pay is actually frozen for the following 2 years, the MTFs

projection does not include any provision for 2012/13 or 2013/14 but allows for pay awards for the remainder of the period of the MTFS at 2%. Given inflationary pressure and a prolonged period of pay freeze there is likely to be upward pressure on pay.

Employee costs – pensions

- 2.8** The budget addresses the result of the triennial revaluation of the pension fund in 2010. Having built in the provisional additional contribution level increase notified by the actuary in the interim budget proposals, the revised position of the actuary i.e. stepping up to the increase contribution, allowed the Cabinet to make changes to its proposals. The changes allow for the saving to be used for one-off purposes in 2011/12. The resulting changes made to final budget proposals for 2011/12 ensure that the budgetary provision for the increase in pension contribution in 2012/13 is embedded into the base budget without further adding to the funding gap. This is a prudent approach.
- 2.9** The MTFS allows for further increases in contribution rates for the new triennial revaluation. The Government's Hutton review of pensions may conclude that the current public sector pension scheme is unsustainable and changes to the scheme may be made making it less generous and less expensive but will require legislative changes. However, the MTFS currently allows for further increase in pension costs as a result of a revaluation in 2013 reflecting the uncertainty in the economy and fund performance which may be offset by pension changes. Given the uncertainty over the outcome and timing of any changes, the approach to the MTFS is not unreasonable.
- 2.10** **I am satisfied that the Council has sufficient budgetary provision for employee related costs in 2011/12 and is being prudent in planning for potential future increases in pay and pension fund costs in the MTFS.**

Treasury Management

- 2.11** 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.
- 2.12** Despite treasury management activity generating significant returns for the Council in the past, the sustained low level of interest rates would suggest that previous levels of investment income will not return for some considerable time. The level of investment interest earned by the Council is now budgeted at c£170k (a reduction from c£1.5m per annum before the recession). The Council has reduced the reliance on investment interest to support the net budget and in turn reduced the risk and impact of the volatility of interest rates on the budget.
- 2.13** No assumptions are made in the MTFS in respect of higher investment returns resulting from a potential increase in 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.
- 2.14** 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. At this stage £1.6m has been returned to the council leaving £9.4m still to be recovered.
- 2.15** Currently the Council is awaiting the outcome of court test cases in Iceland, challenging the Winding-Up Board (wWUB) of Glitnir bank's decision to treat local authority deposits the same as other depositor's rather than give them preferential depositor status as had been determined by the WUB of Llandsbanki bank. There is currently no evidence to suggest that the level of losses may increase. The third bank in which the council made investment, Kaupthing, Singer and Friedlander, is now predicted to pay out more than originally anticipated. Given the uncertainty over the final outcome, the decision to make no further provision for losses in the budget is not unreasonable.

- 2.16** 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.
- 2.17** 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. Following advice from ArlingClose there is a proposal to increase the lending period to 2 years for some banks. Given that the council is now lending to only a very limited number of banks approved by ArlingClose, I consider this to be a reasonable relaxation in the lending policy which will not open up further risk to the Council.
- 2.18** 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 2011/12 include the implications of the borrowing for the Gloucestershire Airport to finance the runway safety project, borrowing to support the financing of the refurbishment of the Everyman Theatre, borrowing to support the redevelopment of St Pauls by CBH and the implications on financing resulting from moving to International Financial Reporting Standards (IFRS) which require all forms of borrowing, including leases, to be included in the prudential borrowing limits. I am comfortable that the treasury related decisions, as measured by these indicators, are in accordance with the prudential code. The Council's Minimum Revenue Position policy statement supports the borrowing decision in respect of the Airport and the Everyman.
- 2.19** **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 endorsement of the lending list by ArlingClose, the slight relaxation in deposit terms in the Annual Investment Strategy are appropriate and represent a tolerable increase in risk.**

Income, Charging and Demand.

- 2.20** The Council continues to provide a number of demand led services e.g. car parking, land charges, leisure@cheltenham etc. The estimates for 2011/12 have been prepared on the advice of the professional Officers who have taken a realistic view about income levels, taking into account the continued impact of the economic downturn. Income from development control and land charges remains suppressed and income budgets for 2011/12 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.
- 2.21** Car parking income remains one of the Council's largest demand led risks. Given the sustained shortfall in car parking income revenues over recent years, the budget estimates for 2011/12 allow for a reduction in target by £500k and reflect the freeze in car parking charges.
- 2.22** 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 '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 which 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 customer in the current economic climate, it is more important to maximise income levels and, as such, service managers need the flexibility to vary charges to maintain demand for services.

2.23 Over a number of years, the Council has benefited from sizeable amounts of Housing and Planning Delivery Grant (HPDG). As a result of the funding squeeze, this will no longer be received by the council. As such, given the desire to retain the current level of planning service, the Cabinet have built £130k into the base budget to cover the recurring cost of funding the residual posts being historically funded from this source.

2.24 Overall, I am satisfied that the estimates for income are based upon reasonable assumptions made by Officers and which take into account the sustained underperformance of car parking income targets recognising the difficulty in predicting income streams in the current economic climate. Monitoring of income levels will be undertaken during 2011/12 and reported in the quarterly budget monitoring reports.

3. Housing related budgets

Housing Revenue Account

3.1 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.

3.2 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.

3.3 The housing benefit regulations are changing and given the potential for unemployment levels to rise as a result of the government approach to tackling the deficit, the budget for benefit activity may become a higher risk area. This is one of the few areas where external audit 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 (c£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 2009/10 and the monitoring of the current year's budget I believe the budgets (as far as can be predicted in this very volatile area), are sufficient to fund predicted activity levels.

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

4. Finance Settlement

4.1 The estimates for 2011/12 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 (CSR10) providing estimates for the Government support for the 2 year period 2011/12 to 2012/13.

4.2 In the coalition Government's comprehensive spending review in October 2010, the Chancellor of the Exchequer announced that councils would receive a cut in government support of 7.1% in each of the next 4 years, a total of 28.4% (which was broadly in line with the assumptions for a reduction in government support modelled in the Council's MTFS). The actual settlement results in a cash reduction in government support (revenue support grant plus share of redistributed non domestic rates) of £1.09m, a cut of 15.16% in 2011/12 followed by a further cash cut of £579k (9.57%) in 2012/13. Cumulatively, this equates to a 23.86% cash cut over 2 years.

- 4.3 The Council accepts that, through the reduction in government funding, it will play its part in tackling the level of national debt. However, in order to be able to respond appropriately and plan effectively, the Council needs clarity over the actual scale of cuts and timescale. The delays and lack of clarity over the size of the cuts have created a great deal of uncertainty which has added further pressure to a very difficult budget setting process. The Council has made representation to that effect through the response to the provisional settlement in December 2010 and via Martin Horwood MP. In particular, the ministers new measure of government support, 'revenue spending power' (CBC's spending power is reduced by 6.03% in 2011/12), the Council had not been notified that it was basing its estimates on this new measure until the provisional settlement in December.
- 4.4 Some Members have raised concerns over the lack of published papers prior to the Cabinet and council tax setting meeting making it difficult for members to submit questions. The lateness of this year's settlement presented particular difficulties which will hopefully not be repeated. However, in agreeing the budget strategy for 2012/13 budget I will review the timetable and budget setting process with members to ensure that members concerns are addressed.
- 4.5 In addition, the Council anticipated that it would receive funding levels for the life of the Parliament. The lack of clarity over future years adds greater uncertainty to the MTFs forecasting and planning. The MTFs projections now assume a further 5% cut in cash grant for the following 2 years.
- 4.6 The transfer in responsibility for administration of concessionary fares from district councils to the higher tier from 1st April 2011 takes away the uncertainty of costs and funding pressures from the Council. Despite responding to the settlement consultation the final settlement removed the total costs of £2.2m for concessionary fares including the local discretions i.e. 9:00am to 9:30am and taxi vouchers. As Section 151 Officer I have met, along with the Cabinet Member for Finance, Martin Horwood MP to lobby for the retention of the estimated £171,000 cost of the local discretions funded by the Council. Whilst there may be a possibility that this may be rectified in the future no assumption has been made as such in the budget proposals.
- 4.7 **Based upon the CSR10 settlement, the projections in the MTFs allowing for further reductions beyond the next 2 years is a prudent approach. Based upon the uncertainty over the outcome of any lobbying over the discretionary element of concessionary fares, the budgeting approach is sensible.**

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

- 5.1 Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority's future revenue and capital programme. The 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 2012/13 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.

'Bridging the Gap' (BtG)

- 5.2 The Council's 'Bridging the Gap (BtG)' programme outlines the Council's strategy for closing the funding gap which has undoubtedly helped to strengthen the Council's approach to longer term financial management. The BtG programme board meets monthly with the Cabinet Member for Finance which ensures that tackling the budget problem remains high on the Council's agenda. This approach has meant that in approaching the 2011/12 budget, the Cabinet have avoided salami slicing to close the funding gap. The BtG programme has delivered savings and additional income to meet the funding gap of £2.8m for 2011/12 and £3.8m over the period of the MTFS. My assessment of the progress and robustness of the BtG work streams is as follows:

Procurement savings

- 5.3** The budget proposals for 2011/12 and the MTFS do not now include a target from procurement savings. Whilst a programme of procurement projects/savings has been identified, given the pressure on procurement resources and the difficulty in turning procurement savings into recurring cashable savings, it was agreed that the target should be removed from the 2011/12 budget and MTFS. However, SLT have agreed that a procurement target should still be in place outside the MTFS and that SLT will work with the Procurement Officer to translate procurement activity into cashable savings, to be monitored by the BtG programme. This is a completely reasonable position to take given that the Council may have exhausted its own individual purchasing power in driving out procurement savings and the impact of rising prices. However, looking ahead, the GO shared Enterprise Resource Planning (ERP) system should help to deliver future shared procurement savings.

Asset Management:

- 5.4** Significant progress has been made in the delivery of the Asset Management Plan. Some key successes include the sale of some buildings that were surplus to Council requirements generating £638k of capital receipts which were used to deliver a £75k annual saving to the revenue budget and support the financing of the capital programme. Work on reducing the cost of utilities in buildings through optimising fuel usage will also make a valuable contribution over the period of the MTFS. The recent commencement of the process of sale and redevelopment of North Place and Portland Street car park could help to pump prime investment into the public realm.

Shared services:

- 5.5** The Council has made significant steps forward in progressing the shared services agenda. The Council now successfully shares legal and building control services with Tewkesbury Borough Council and works collectively on joint core strategy work. The partnership with Cotswold and West Oxfordshire for audit is also, whilst still in its infancy, gaining momentum. The sharing of an ERP and the establishment of a shared services for Finance and Procurement, HR and payroll services will follow shortly. It is evident that the work to implement shared services successfully is significant and should not be underestimated. The GO project is clearly a critical project since it provides the technology platform for other shared services and the Council must ensure that resources are not diverted from its implementation. Similarly, the establishment of a shared waste service with Tewkesbury Borough Council and rolling out the new waste and recycling service will require significant organisational effort.

Systems thinking / Service Reviews:

- 5.6** Some progress has been made in a number of areas resulting in savings targets for ICT and revenues and benefits being built into the budget for 2011/12. Translating systems thinking interventions into savings often requires a service restructure and the work required to fully deliver saving should not be underestimated. The early conclusions from initial systems thinking work has been very encouraging with suggestions that significant improvement in services can be achieved at the same time as making savings. It is important for the Council to learn from these early systems thinking / service reviews and should roll out the systems thinking approach across the organisation so that all services benefit.

Commissioning:

- 5.7** Now that Members have approved the decision to establish the Council as a commissioning authority, it needs to ensure that the programming of activity dovetails in with other BtG work streams and the timing of the commissioning programme is logical e.g. drive out systems thinking savings before commissioning. In approaching commissioning, services need to understand more clearly how they compare with other councils and other providers. Looking ahead, I am committed to working with SLT to begin to undertake 'value for money' assessments for all services and to use the budget working group of members to facilitate the debate over what level of service the organisation wants and can afford in future.

'One off' staffing costs

- 5.8 Members need to be mindful that, in making decisions to reduce staffing numbers, savings may not be delivered immediately since one off redundancy / pension costs may offset savings initially. The level of the General Reserve is not sufficient to meet significant one off costs. 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. Careful workforce planning and vacancy management has been key to ensuring minimal impact on the General Reserve in 2011/12. Looking ahead, SLT need to ensure that they work collectively to look for redeployment opportunities to avoid redundancy costs and opportunities to manage workforce levels down in line with assessment of future BtG and commissioning work plans.

Future approach /capacity

- 5.9 In developing the BtG programme, SLT have collectively supported both the Cabinet and I in developing options for consideration in meeting the funding gap for 2011/12. This approach has been successful but has been extremely time consuming and the options now being suggested are often politically very difficult since they inevitably result in a cut or loss in service and are quickly rejected. Given the significant level of cuts required and the difficulty in avoiding hard decisions Members are urged to develop cross party consensus on more significant issues, possibly through the cross party budget working group.
- 5.10 The BtG programme contains some 93 separate work streams. Some of these will be delivered as a result of setting the budget but some still require significant effort and energy to deliver in both 2011/12 and future years. As part of the monitoring of the programme, officers will be undertaking more effective risk assessments of individual work streams to highlight any delivery issues. In tackling future year's budget gaps, Members need to be mindful not to add significantly to the programme of activity and to focus attention on fewer big ticket items. Opportunities to maximise income should be considered.
- 5.11 In moving to a commissioning authority, the council set aside £80k to support the significant amount of business change that the council is undertaking. SLT have undertaken some work on resource planning which should inform the council on where to direct this valuable source of funding.
- 5.12 **Overall, the BtG programme continues to be an effective, collective approach for the identification and delivery of the savings and additional income required to bridge the funding gap for 2011/12, without significant impact on service levels or reverting back to 'salami slicing'. However, Members need to be mindful of the capacity to deliver other significant projects / work streams without additional resource.**

Level of council tax increase

- 5.13 The final budget proposals assume a council tax freeze for 2011/12 which is in line with the Government aspiration. This will cost the Council c£197k in lost income based on the originally planned council tax increase of 2.5%, but this will be offset by specific grant from the government, guaranteed for 4 years. The alternative approach would have been to increase council tax up to the government cap, for which a new regime is being developed based on a maximum revenue spend (for CBC this is estimated at £15.1m, some £0.9m more than the £14.25m proposed budget) At a council tax increase of 2.5%, the Council would have been no better off since it would have lost the £197k additional grant and would still have had to make £2.9m of savings. At a council tax increase of 5% (which is unlikely to have been unacceptable in the current climate), the council would have only been around £197k better off. Any increase above 5% up to the new expenditure cap would clearly not be acceptable or worth considering.
- 5.14 The MTFs models the 4 years of support for freezing the council tax and the impact of its withdrawal. Over this period, pay and price level will increase which could be offset by future potential tax increases. Members need to be mindful in considering future council tax increase of the impact on the MTFs and avoid opening up the funding gap further in future.

- 5.15 Given the support offered by the government in freezing council tax, the decision to freeze council tax is reasonable.**

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

- 5.16** Sound asset management planning is a key activity and it is increasingly important to ensure that the council maximises the use of its asset portfolio in a period of reducing resources. The localism bill is likely to result in additional work and activity which promotes the transfer of assets to the third sector as a way of reducing the burden on councils e.g. through the publication of assets.
- 5.17** As outlined, the AMP has now been approved which sets the general direction and parameters in which asset management decisions can be taken. This was a major step forward, however the financing of the Council's aspirations for its assets e.g. Town Hall, Art Gallery & Museum and Pittville Park, as well as public realm as part of the Civic Pride proposals, has yet to be fully developed. The next development step is to supplement the AMP with 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.
- 5.18** 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. However, given the severity of the settlement the planned increase for 2011/12 has been deferred and the programmed maintenance for 2011/12 has been contained within the revised affordability envelope. Co-incidentally the decision to support the Everyman Theatre in their redevelopment proposals have resulted in the transfer of the maintenance liability from the Council to the theatre as a result of the move to a full repairing lease. As a one off decision this does not significantly impact on the overall strategy to increase annual contribution levels to support the annual maintenance programme but I would advise that this should not become regular practice unless the Council takes significant steps to reduce its property portfolio and maintenance liability.
- 5.19** The budget addressed the immediate need to top-up pump priming to support the Civic Pride Initiative in that, through the re-allocation of reserves, the Civic Pride reserve will increase to £1.1m. This will be used to support the initial works to bring sites to market, pump prime public realm improvements, plus fund the delivery vehicle.
- 5.20** The Prudential code allows councils to undertake non-supported borrowing to meet its objectives if this is considered to be prudent and affordable. Although a potential option, it is difficult to see how prudential borrowing can be considered at this stage given the squeeze on public finances.
- 5.21** The budget includes 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.
- 5.22** In line with the decision made by the council in October 2010 the council will, along with Gloucester City Council borrow £1.2m from the Public Works Loans Board for onward lending to the airport and to provide a temporary borrowing facility of up to £350k 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.
- 5.23** 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 development of the funding mechanism and signing off of the business plan was delegated by Council in February 2010 the Section 151 Officer. As such, following the renegotiation of the lease, agreement of a funding agreement and finalisation of the business case, I have signed off the necessary paperwork to enable the theatre to now progress the scheme. The decision has been included in the Cabinet papers for 8th February 2011 and concludes 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. As such, the budget includes the necessary prudential borrowing to facilitate the loan.

- 5.24** The Cabinet is committed to completing the AG&M subject to a bid to the HLF for complementary funding being successful and a robust business plan for future operations. The Council is being asked to underwrite the funding shortfall for the project, currently estimated at £922k. Should this materialise, the Council may need to re-assess existing funding streams, use of any future capital receipts or the potential for prudential borrowing. In considering the funding mechanism for any underwriting, the Council needs to evaluate the alternative use of any future capital receipts i.e. the potential to make treasury management decisions (such as repayment of debt premiums), which could help address the projected funding gaps by reducing cost of premium write-off in the revenue budget and avoid future cuts in services. Given the MTFS projections it is difficult see how the council could fund the cost of prudential borrowing unless the business plan for a new building, the outcome of a commissioning exercise for leisure or cuts elsewhere generated enough savings to finance the costs of financing borrowing.
- 5.25** **The assumptions for financing the capital programme and the planned maintenance programme in the 2011/12 budget are reasonable. In moving forward, the Council must continue to ensure that it maximises the use of, and minimises the cost of, its asset portfolio.**

6. Assessment of Reserves

- 6.1** 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.
- 6.2** It is the responsibility of the local authority and its Section 151 Officer 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.
- 6.3** Within the existing statutory and regulatory framework it is the responsibility of the Section 151 Officer to advise the authority on its level of reserves. Councillors, on the advice of the Section 151 Officer, should make their own judgements on such matters taking into account all the relevant local circumstances. The adequacy of reserves can only be assessed at a local level and requires a considerable degree of professional judgement. The assessment needs to be made in the context of the authority's MTFS, its wider financial management, and 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.
- 6.4** 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.
- 6.5** 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, 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.

- 6.6 Nationally the Secretary of State for Communities and Local government, Eric Pickles, is advocating that councils use reserves to support budget setting. Aside from the General Reserve, the reserves held by the council are held for specific purposes. Historically, as Section 151 Officer I have argued maintained that using reserves in this way is not a sustainable approach and, despite the suggestion, have not changed my view.
- 6.7 In assessing the level of the General Reserve, the Council has historically placed reliance on the degree and protection provided by earmarked reserves. Clearly there is an opportunity cost to holding reserves and I undertake a regular review 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.
- 6.8 The Council has previously agreed to aim to maintain its General Reserve at approximately 10% of net operating expenditure, or a level between £1.5m and £2m. The budget proposals for 2011/12 include the re-alignment of reserves to maintain the size of the General Reserve at c£2m. Although the Council has managed to deliver services without calling in the General Reserve, there is a potential for it to be called upon given the considerable period of change resulting from the need to drive out savings and the potential to need to support the commissioning programme of activity with one off money. There are other pressures which are to be considered in a confidential report to council which may put further pressure on the General Reserve. In addition, although measures are in place to address the projected overspend 2010/11, the year has yet to conclude and the outturn yet to confirm that the strategy has worked without needing to call on the General Reserve.
- 6.9 The delivery of the budget for 2011/12 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 Members 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 £1.5m - £2m to fund future up front investment costs.
- 6.10 The triennial revaluation of the pension fund in 2010 resulted in an increase in the contribution rate. Historically the impact of the increase has been managed and phased in through the use of the pension reserve, which is now exhausted. However, given that the budget allows for the increasing in contribution rates within the base budget, no top up of the pension reserve is required.
- 6.11 **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 in respect of funding the aspirations for the Council's property portfolio.**

7. Budget setting and monitoring.

- 7.1 In response to the reduction in public spending, the Council supported the budget consultation exercise which was undertaken over the summer of 2010. Whilst not perfect, this proved to be a valuable exercise with both positive feedback from Members, officers, residents and the local media. It provided some important indicators to the Cabinet as to where to look in making their decision for 2011/12 budget. Looking ahead, Members need to consider how it can build on this work to inform decisions in respect of outcomes to be commissioned by the Council in future.
- 7.2 The Council has a good track record in budget setting and financial management which is

recognised by the council's auditors. It has a history of delivering services within budget and has a regular budget monitoring process which is reported to Cabinet and ensures that corrective action can be taken to address any in year financial issues where appropriate, as was the case in the current year 2010/11.

- 7.3 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.
- 7.4 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.

8. Corporate Risk Management

- 8.1 The Council's work around risk management continues to develop. Divisions and project and programme managers regularly review their individual risk registers and continue to improve procedures / take action to mitigate risk where possible. The Council's corporate risk register is now assessed monthly by SLT and reported quarterly to Cabinet.
- 8.2 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. The Senior Leadership Team are tackling capacity issues through the development of resource planning with a view to focusing scarce resource and money into high priority work.
- 8.3 The Council provides a wide range of services which should be re-examined in the light of reducing resources. The Council's decision to become a commissioning authority will help to focus the Council on outcomes for the residents given the financial outlook.
- 8.4 The budget proposes a reduction in the level of staff training which has the potential to impact on staff professional capability. However, given increased sharing of services and expertise and new methods of training e.g. e-learning this does not propose an impact on corporate governance arrangement. However, in considering the budget proposals, the Audit committee were concerned that project management training remained a high priority despite the proposed cuts in training budgets.
- 8.5 **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.**

9. Conclusions

- 9.1 The Local Government Act 2003 requires the Section 151 Officer 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 2011/12 include the following:

- The impact on the Council's funding levels as a result of the Governments response to the management of the level of national debt.
- The impact of the recession on income levels for services and investment income levels resulting from sustained low interest rates.
- The measures to deal with the exposure to Icelandic banks built into future financial projections.

- The funding implications of the AMP and future capital and maintenance programmes for Council owned assets.
- The capacity required to deliver the 'BtG' programme work streams for closing the funding gaps.
- The need to develop cross party working in light of the 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 overall financial standing of the Council, despite the challenges ahead, is currently sound.
- The Council has a reasonable level of reserves.

9.2 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.

Report author	Mark Sheldon, Chief Finance Officer Tel. 01242 264123; <i>e-mail address mark.sheldon@cheltenham.gov.uk</i>
Appendices	None
Background information	1. Final budget proposals 2011/12

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Cheltenham Borough Council

Cabinet – 8 February 2011

Council – 11 February 2011

General Fund Revenue and Capital - Revised Budget 2010/11 and Final Budget Proposals 2011/12

Accountable member	Cabinet Member for Community Development and Finance, John Webster
Accountable officer	Chief Finance Officer, Mark Sheldon
Accountable scrutiny committee	All scrutiny committees
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the revised budget for 2010/11 and the Cabinet’s final budget proposals for 2011/12.
Recommendations	<ol style="list-style-type: none"> 1. Note the revised budget for 2010/11. 2. 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 2011/12 (a 0% increase based on a Band D property). 3. Approve the growth proposals, including one off initiatives at Appendix 3. 4. Approve the reserve re-alignments at Appendix 8, as outlined in section 10. 5. Approve the proposed capital programme at Appendix 9, as outlined in Section 11 and note the intention to fund the replacement of vehicles and recycling bins through prudential borrowing where deemed appropriate. 6. Approve the proposed Property Maintenance programme at Appendix 10. 7. Note the updated Medium Term Financial Strategy at Appendix 11 including the impact of the ‘bridging the gap’ programme on the forecast budget gap. 8. Approve a level of supplementary estimate of £100,000 for 2011/12 as outlined in section 15. 9. Approve the creation of the budget working group, with 2 members nominated from each overview and scrutiny committee, to support the process of developing the budget process and improving scrutiny as outlined in Appendix 13.

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Mark Sheldon.</p> <p>E-mail: mark.sheldon@cheltenham.gov.uk</p> <p>Tel no: 01242 264123</p>
Legal implications	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@tewkesbury.gov.uk</p> <p>Tel no: 01684 272012</p>
HR implications (including learning and organisational development)	<p>In the spirit of building on our positive industrial relations environment, the recognised trade unions received a budget briefing on 9th December 2010 and continue to be updated. The final budget proposals (Appendix 4) details the savings generated from a number of restructures that have already taken place this financial year. 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. Many of the fte (full time equivalent) reductions shown below will be as a result of restructures, and the Council's policies on managing change and consultation regarding any redundancies will be followed.</p> <p>On going, it is important that capacity is carefully monitored and managed in respect of any reductions on fte and reduced income streams as the reductions represent a 5.3% reduction in fte capacity overall.</p> <p>The budget proposals include the following implications for staff:</p> <p>Total reduction in staffing = 31.9fte (full time equivalent) of which 17.8fte are vacant posts, 6.6fte are redundancies, 0.5fte is shared, 4fte are to be confirmed, and 3fte seasonal therefore not required. A further planned reduction of 7.4fte will take place in 2012/13.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>

Key risks

An overall risk assessment of the final budget proposals is contained in Appendix 1 and the risks associated with each of the proposals for bridging the funding gap are identified in Appendix 4.

During the current year, the council through its budget monitoring predicted an overspend of £800k, much of this as the result of income streams not matching target levels. There is a risk that 2011/12 will see a similar pattern of income reduction particularly if as predicted public sector cuts, inflation and other pressures reduce household incomes and the predicted economic recovery is slow. The council will need to satisfy itself that the income levels in the budget are robust and that regular budget monitoring identifies any issues at an early stage so that remedial action can be taken.

The council had been planning for reductions in funding and through its bridging the gap (BtG) programme had been planning a range of initiatives which would reduce expenditure over the life of the Medium Term Financial strategy (MTFS). As outlined above, earlier in the year the coalition government announced their intention to reduce public sector expenditure and indicated that there would be a front loading to this i.e. greater reduction in years one and two. There is now a real risk therefore that the profile of reduction in public sector grant support will impact on a planned response to the medium term financial savings, as the council needs to make cuts now and cannot wait for shared services and other commissioning initiatives to deliver their planned savings.

The government have announced the settlement for future years which helps with resource planning but it means that the council will face budget cuts in future years, and will need to identify savings to meet these cuts. Although plans are in place to meet some of these savings there are still significant shortfalls in future years and the council will need to identify how it will meet these savings targets. The council has agreed a commissioning approach but there is a risk that in delivering immediate savings there is insufficient resources to work up plans for future years. The council will need to prioritise the commissioning work plan to ensure that those areas which have the greatest opportunity to deliver savings are reviewed first.

As the council moves towards other delivery models for service provision e.g. shared services, service level agreements or contracts there is a risk that the savings which need to be found in future years fall on fewer service areas and potentially have a disproportionate impact on the retained organisation. When commissioning services the council will need to be mindful of its budget situation and consider how contracts can be flexible to new demands.

Some of the budget proposals will impact directly on the public. There is a risk that if the communication of these proposals is not handled sensitively then there will be public opposition to them. If these proposals are accepted then there will need to be a clear communication plan with those service users about the cuts and what other alternative arrangements, if appropriate, are being made.

The audit committee at its meeting in January have confirmed that the budget does not propose any cuts which have the potential to impact on corporate governance although were concerned that project management training remained a high priority despite the proposed cuts in training budgets.

Corporate and community plan Implications	The aim of the final budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in government funding.
Environmental and climate change implications	The final budget contains a number of proposals for improving the local environment, as set out in this report.

1. Introduction

- 1.1 In accordance with the Council's Budget and Policy Framework Rules, which is part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2011. The consultation period took place between 22nd December 2010 to 22nd January 2011 and this report sets out the final budget proposals for 2011/12.

2. Background

- 2.1 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.
- 2.2 For 2011/12, the coalition Government expects the average council tax increase to be 0%.

3. 2010/11 Revised Budget

- 3.1 The budget monitoring report to the end of August 2010, considered by Cabinet on 26th October 2010, identified a potential projected overspend of £800k for the current year, 2010/11. In response, the Senior Leadership Team implemented a recruitment freeze and reviewed all unspent supplies and services budgets. As a result of the action taken, the revised budget for 2010/11 which includes projected savings in employee related and supplies and services budgets is now projected to have managed the projected overspend to zero.

4. Finance Settlement including Concessionary fares funding

- 4.1 The Government's comprehensive spending review (CSR10) in 2010 determines the level of funding for the whole of the public sector for the period 2011/12 to 2012/13. The following table summarises the headline final figures for the level of Government support to the Council released on 31st January 2011.

	2010/11 £m adjusted	2011/12 £m	2011/12 £m adjusted	2012/13 £m
Revenue Support Grant	1.118	1.440	1.440	
Cheltenham's share of Redistributed Business Rates	7.701	4.658	4.658	
Formula Grant	8.819	6.098	6.098	5.473
less formula grant adjustment e.g. concessionary fares	(1.631)	-	(0.046)	
Adjusted formula grant	7.188	6.098	6.052	5.473
Actual cash (decrease) over previous year		(1.090)		(0.579)
% cash cut		(15.16%)		(9.57%)

- 4.2 The final figures for 2011/12 show an increase of £21,922 over the provisional figures announced in December 2010, and for 2012/13 a reduction of £61,925.
- 4.3 In the coalition Government's comprehensive spending review in October 2010, the Chancellor of the Exchequer announced that councils would receive a cut in government support of 7.1% in each of the next 4 years, a total of 28.4%. This was broadly in line with the assumptions for a reduction in government support modelled in the council's Medium Term Financial Strategy (MTFS) although the council anticipated some front loading and planned for a 10.7% cut in 2011/12.
- 4.4 The actual settlement is very different. The council will receive a cash reduction in government support (revenue support grant plus share of redistributed non domestic rates) of £1.090m, a cut of 15.16% in 2011/12 followed by a further provisional cash cut of £579k (9.57%) in 2012/13. Cumulatively, this equates to a 23.86% cut over 2 years. Funding levels for the following 2 years i.e. 2014/15 and 2015/16, have yet to be announced but it is likely that they will continue to impact on the council's finances detrimentally.
- 4.5 In announcing the provisional settlement in December 2010, the local government minister Eric Pickles referred to a new measure of government support, 'revenue spending power'. Rather than measuring cash changes, this measures the total resources available to the council including council tax revenues and one off grants. In declaring that no council would be any worse off than 8.9% he was referring to the revenue spend rather than actual cash position. Cheltenham's calculation of this 'revenue spending power' is a decrease of 6.03%.
- 4.6 The provisional finance settlement includes the removal of £2.2m of funding for free bus service for the over 60's concessionary fares scheme as a result of the transfer of the responsibility to Gloucestershire County Council with effect from 1st April 2011. As a result, the council's top up of annual government funding for the scheme, estimated at £1m, will **NOT** be released back to the council. This will leave the council with no resources to either top up the county's proposed statutory concessionary fares scheme i.e. the current discretionary 9.00 – 9.30 period of use funded by the council or to fund the existing transport schemes which operate.

5. The Cabinet's general approach to the 2011/12 budget

- 5.1 The Cabinet's budget strategy for 2011/12, approved at a meeting on 26th October 2010, included an estimate of £2.6m for the 2011/12 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available assuming a 10.7% cut in government support. This was subject to the outcome of the Comprehensive Spending Review (CSR10) and assumed a funded council tax freeze. The council only received notification of its actual grant on 31st January 2011 and it was worse than anticipated. The final assessment of the budget gap for 2011/12, based on the detailed budget preparation undertaken over recent months and the actual financial settlement is £2.808m.
- 5.2 The settlement was actually £223k worse than anticipated and, given the delay in its publication, presented the Cabinet and the council's Senior Leadership Team (SLT) with an incredibly difficult task in responding to deeper and more rapid cuts.
- 5.3 In preparing the final budget proposals, the Cabinet and officers have made the following assumptions:
- Prepared a standstill budget projection under a general philosophy of no growth in levels of service with the exception of a 6 FTE planning posts, costing £130k annually, which have now been built into the base budget. These posts had previously been funded from Planning Delivery Grant (PDG) which has been withdrawn as part of the overall CSR10 settlement.
 - Provided for inflation for contractual and health and safety purposes has been allowed at an appropriate inflation rate where proven.

Page 67

- Not budgeted for pay inflation for 2011/12 or 2012/13.
- Increased income budgets based on an average increase in fees and charges of 2.5% with the exception of property rents which have not been inflated but are now set in line with rent projections based on property leases. The Cabinet intend to freeze car park charges at current year's levels which have been shown as growth within the budget proposals.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.
- Removed the central savings target for procurement in recognition that these will be targeted through the GO programme.
- Built into the base budget for 2011/12, the cost of the final revised single status pay structure following the transition period and conclusion of the appeals process.
- Estimated the financial impact of the triennial revaluation by the pension fund actuary in 2010/11 resulting in increased annual costs of £27,700 wef from 1st April 2011.
- Allowed for a council tax freeze, in line with the coalition Government's request, on the basis that it will be funded through a specific grant.

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

- Protect frontline services, as far as possible
- Reduce costs by the development of longer term plans for efficiencies over the period of the Medium Term Financial Strategy (MTFS) including work on shared services, systems thinking, reducing the cost of assets and energy usage, and the new approach to commissioning services.

5.5 There has been considerable activity during the course of the year to develop this longer term strategy for closing the funding gap. The Cabinet have worked with officers to develop the 'Bridging the Gap (BtG)' programme using the BtG group supported by the Senior Leadership team. The Cabinet's budget proposals for closing the budget gap in 2011/12, the result of this work, are detailed in Appendix 4 and include an assessment of the impact of these proposals over the period of the MTFS, split into:

- Decisions already made by council and therefore built into the base budget, totalling £732k.
- Proposals yet to be agreed by council which are not built into the base budget, totalling £2,076k

5.6 The Cabinet and SLT have been anticipating having to make significant savings and have been actively managing vacancies and staffing levels in order to minimise the impact of service reviews, system's thinking and savings initiatives and cuts. As a result, the reduction in staffing numbers (31.9 full time equivalents) outlined in the budget proposals have been achieved at minimal cost to the taxpayer.

5.7 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	£
Revised contribution rates following the 2010 formal valuation of the pension fund	(259,000)
Additional funding from finance settlement	(21,922)
One Legal savings (cumulative effect of 2 year pay freeze)	(9,600)
LGA subscriptions (additional saving)	(900)
Extended programme of urban gull population control by egg oiling (sterilization)	1,500
Investment in Imperial and Montpellier Gardens to provide improved facilities for hirers, including Cheltenham Festivals.	140,000
One-off transitional funding to Arts Council in lieu of permanent cut to funding.	6,000
Additional income from allotment rentals	(1,000)
Deferred cut to grass verges contract to 2012/13	110,000
Reduced saving from closure of public toilets	21,750
Reduced saving from training budgets	500
Net 'write-off' in box office commission	11,200
Additional contribution to General Balances	1,472
Net impact on General Fund Budget for 2011/12	nil

6. Service growth

- 6.1** 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 supported by Cabinet meets these criteria and reflect the need to invest in business processes and schemes which support the BtG programme.
- 6.2** The revised contribution rates following the 2010 formal valuation of the pension fund has released a one-off sum of £259,000 which has been used to fund one-growth growth detailed within Appendix 3 to the value of £149,000. It is proposed that the remaining £110,000 is used to continue the additional 10 cuts per year to grass verges before transferring back to the County Council wef 1st April 2012.
- 6.3** The Cabinet has an aspiration to make the following one off investment, funded from LAA performance reward grant, estimated at £278k for 2011/12, subject to it being awarded and these will be confirmed in the outturn report to council in June 2011.
- £50k towards match funding the £50k contribution from GCC to address youth work issues that the County can no longer fund in the way that it traditionally has.
 - £30k for community pride / big society initiatives to establish another round of Community Pride as last year, with the emphasis on enabling 'Big Society' initiatives to be taken forward, such as promoting volunteering or voluntary initiatives.
 - £30k towards supporting Cheltenham Voluntary and Community Action (VCA) at £10k a year for the next three years from the LAA Performance Reward Grant to develop the voluntary and community market through capacity building and supporting the Council to achieve its goal of being a commissioning organisation.
 - A capital contribution towards the Warm and Well scheme administered by Severn Wye Energy Agency on the basis that private sector renewal grant has been withdrawn from 2011/12.

- 6.4 The full list of proposals for growth, including one off initiatives, is included in Appendix 3.

7. Treasury Management

- 7.1 Appendix 6 summarises the budget estimates for treasury management activity taking into account the following changes, considered by the Treasury Management Panel, at its meetings on 22nd November 2010 and 27th January 2011.
- 7.2 The council has been affected by the low interest rates which have remained at 0.50% throughout the year and are predicted to remain at this level for some time still. Due to our consolidated debt rate being lower this has resulted in the Housing revenue Account (HRA) paying £183,000 less interest to the General Fund for 2011/12, even though borrowing interest costs have reduced overall by £6,700.
- 7.3 The low interest rates will also affect our investment income and is estimated to fall by £74,900 in 2011/12.
- 7.4 As a result, the net impact on 2011/12 budget is a reduction in net treasury income of £236,200.
- 7.5 The council has been actively pursuing the deposits from the three Icelandic owned banks, Glitnir, Landsbanki and Kaupthing Singer and Friedlander (KSF). The situation with both Glitnir and Landsbanki is that the council's legal advisors have now filed written submissions with the Icelandic courts with regards to the deposits made in 2006, and court hearings are due to take place in Spring 2011. As regards to KSF we have received £1.628m back to date which amounts to 53p in the pound. The latest information we have indicates a recovery rate in the range of 75p to 84p in the pound.

8. Medium Term Financial Strategy (MTFS)

- 8.1 Prior to the comprehensive spending review, the council was estimating the MTFS funding gap to be c£4.7m based on an anticipated cut in government support of 25%. The MTFS projections have been updated for the Cabinet's final budget proposals in February 2011, taking into account the levels of Government support for the period of the CSR10 spending review.
- 8.2 The MTFS approved in February 2010 has been updated to reflect the latest estimates of the implications of the spending review and assumes a 31.28% 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 11 and assumes a worst case scenario.
- 8.3 The cumulative funding gap over the next 5 years is projected to be c£2.5m although measures taken to date results in a residual cumulative funding gap of c£1.5m.

9. Pensions

- 9.1 The Council's pension fund has been subject to triennial revaluation by the pension fund actuary in 2010/11, the draft results of which were published in December 2010. 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.
- 9.2 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 66% (compared with 75.3% in 2007), with a shortfall of £34.1m. The fund actuary is aiming for this deficit to be recovered over a 20 year period, giving the following target contribution rates for the council (for this three-year valuation period):

- a 14.65% future service rate which should cover the liabilities scheme members build up in the future, plus
- an annual lump sum past service deficit contribution of £1.387m in 2011/12 (rising to £1.728m by 2013/14), to cover the shortfall in the fund

10. Reserves

10.1 The Cabinet has taken the opportunity to review the reserves held by the council on the advice of SLT and the CFO. Some realignment of reserves, detailed in Appendix 8, are proposed to further the aims of the council including:

- Transfer £1m of the reserve realignment to increase the civic pride reserve to fund future costs including site investigations and preparation work in order to present development sites and some pump priming for Boots corner redevelopment. The council is progressing with the civic pride scheme using the Cheltenham Task Force delivery vehicle. In February 2010, a projection of the council's civic pride reserve, including external partner contributions, identified a funding shortfall for 2011/12 of c£110k. The reserve realignment will address this shortfall.
- Transfer £717k of Planning Delivery Grant (PDG) reserve to the General Reserve, given that planning posts funded from this reserve have been built into the base budget from 2011/12.
- Recently the council owned properties in Ledmore Road have been sold and the receipt can now be used to fund the redevelopment of St Paul's and other housing regeneration schemes, in line with the council decision in July 2009. This allows for transfer of £1.3m of the Housing Capital Reserve (General Fund) which had been earmarked to support housing regeneration schemes, releasing it for other purposes.
- Transfer £300k of the reserve realignment to the capital reserve to support future capital programmes.
- The sourcing strategy programme has now been closed down and the balance of unused sourcing strategy money, £274.4k, is to be returned back to the general reserve as outlined in Appendix 7. However, it is proposed that some of this money is earmarked to support potential work around the creation of shared services for revenues and benefit (£100k), subject to business case. A further £80k is to be used to support the business change flowing from the restructuring proposals around commissioning and GO programme, as outlined in the Section 4 report and agreed by council on 13th December 2010.
- More work is to be undertaken to understand both the immediate and longer term investment required to pump priming the commissioning activity which may justify a further earmarking of money or an earmarking of the general reserve, subject to business case.

11. Capital Programme

11.1 The proposed capital programme for the period 2011/12 to 2015/16 is at Appendix 9.

11.2 The programme includes a provisional sum of £250k for investment in new car park management technology, which will be subject to a business case and options appraisal and investment in telephony switch upgrades, identified in the council's ICT strategy, approved by Cabinet on 22nd June 2010.

11.3 The adoption of International Financial Reporting Standards (IFRS) has necessitated the need to review all council leases to determine whether they are classified as operational or finance leases. The review has concluded that leases drawn for the purchase of vehicles and recycling

bins are deemed to be finance leases and as such must be represented on the council's balance sheet as external borrowing.

- 11.4** As a consequence of the above, officers have reviewed and compared the costs associated with leasing against prudential borrowing and concluded that whilst the gains from prudential borrowing were marginal in the early years, it gave the council more flexibility in terms of ownership.
- 11.5** With the potential shared waste management service, it is the view of officers that the flexibility surrounding ownership of the assets from the outset and the marginal financial benefits support a decision to finance those assets through prudential borrowing.

12. Property Maintenance Programmes

- 12.1** The proposed property repairs and maintenance programme for 2011/12 is at Appendix 10.
- 12.2** The budget proposals include a proposal to defer the increase in annual contribution of £125k to the planned maintenance reserve by one year, in response to the severe settlement position. As a result the planned maintenance programme, at appendix 10, has been reviewed to reflect the affordability envelope available.
- 12.3** A decision to close public toilets will save substantial maintenance costs over the course of the 20 year property maintenance programme. This is currently costed at c£400,000 and further endorses the proposal to defer the annual increase in planned maintenance contributions by one year.
- 12.4** The programme includes a sum of £157k towards the council's share of the costs of the refurbishment of the arcade, finalised at £517k.
- 12.5** There are a series of initiatives to reduce power consumption. The installation of voltage optimisation devices to moderate the electricity supply coming into buildings will cost £97k of which some £14k is being spent in 2010/11 for a pilot plant at Leisure@. In total these will save the Council some £15.7k pa, and reduce our Carbon footprint by 92 tonnes of CO2 p.a. Further schemes are proposed for the future costing a total of £76k - as follows:
- Replacing pool hall lights with 100w LEDs, (£27k);
 - Replacement of lighting at Regent Arcade car park (£33k); Improving cooling efficiency in server room, including replacing air-con units with evaporative cooling unit (£10.5k);
 - Extend replacement of security lighting at Depot with LEDs and install PIRs on percentage of security lighting (£5.5k).
- 12.6** In total these will save the Council an estimated £36k pa, and reduce our Carbon footprint by some 159 tonnes of CO2 p.a. Because these are initiatives that promise a payback they will be funded from the Repairs and Renewals reserve.

13. Budget consultation and feedback

- 13.1** Given the scale of the level of public sector funding squeeze, the Cabinet were keen to engage with the public on where to make savings ahead of the decision making process. The results from the summer public consultation road shows and residents panels provided the Cabinet with an indication of where the Cabinet might look to protect, reduce or stop spending on services. The budget proposals take into account the response to this consultation.
- 13.2** The formal budget consultation on the detailed interim budget proposals took place over the

period 22nd December 2010 to 22nd January 2011. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed. The Overview and Scrutiny Committees were invited to review the interim budget proposals meetings in January 2011 and comments were fed back to the Cabinet.

- 13.3** A summary of the budget consultation responses and the Cabinet's responses, in arriving at the final budget proposals, are contained in Appendix 12.

14. Performance management – monitoring and review

- 14.1** The scale of budget cuts will require significant work to deliver within the agreed timescales and there is a danger that it diverts management time from delivery of services to delivery of cuts. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.
- 14.2** The delivery of the savings workstreams included in the final budget proposals, if approved by full council will be monitored via the BtG group.

15. Supplementary Estimates

- 15.1** 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 2011/12 to be met from the General Reserve, the same level as in 2010/11.

16. Budget Presentation

- 16.1** The budget presented in this report at Appendix 2 includes a projection of the base budget i.e. the cost of providing the same level of services in 2011/12 as in 2010/11 taking into account inflation and pay awards including 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.

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** It is 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 and severe cuts to public spending are having a major impact on the budget setting process. The budget proposals for 2011/12 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. 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.
- 19.2** 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.
- 19.3** 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.

20. Reasons for recommendations

20.1 As outlined in the report.

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<p>Appendices</p>	<ol style="list-style-type: none"> 1. Risk Assessment 2. Summary net budget requirement 3. Growth 4. Savings / additional income 5. Capital charges 6. Interest and investment income 7. Detailed reserve movements and sourcing strategy programme closedown 8. Projection of reserves 9. Capital programme 10. Planned maintenance programme 11. Medium Term Financial Strategy (MTFS) 12. Consultation responses 13. Budget Scrutiny working group report
<p>Background information</p>	<ol style="list-style-type: none"> 1. Finance settlement 2011/12 http://www.local.communities.gov.uk/finance/1112/grant.htm

The risk				Original risk score (impact x likelihood)			Managing risk					
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register	
1.01	If the 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	15 December 2010	3	3	9	R	The council has agreed a commissioning approach and the MTFS identifies a number of longer term solutions. The council will need to be mindful of capacity to deliver the savings programme	Sept 2011	Mark Sheldon		
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	15 December 2010	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	15 December 2010	3	3	9	R	As part of the development of BtG programme there will need to be a clear communication strategy. In adopting a commissioning culture then it will be basing its decisions on customer needs and requirements and this should help address satisfaction levels.	31 March 2011	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	15 December 2010	3	3	9	R	All shared services are operated under prince 2 principles, with clear business case 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	15 December 2010	4	3	12	R	Future capital receipts may be needed to galvanise the General Reserve.	1 st December 2011	Mark Sheldon (working with SLT and Cabinet)	

1.06	If the council does not carefully manage its commissioning of services then it may not have the flexibility to make additional savings required by the MTFS in future years and a greater burden of savings may fall on the retained organisation.	Mark Sheldon	15 December 2010	3	3	9	R	Contracts, SLAs and other shared service agreements will need to be drafted and negotiated to ensure that there is sufficient flexibility with regards to budget requirements	Ongoing	AD Commissioning	
1.07	If the levels of cuts are deeper and sooner than suggested in the coalition Government's comprehensive spending review, the council may not be able to deliver a measured and planned response to a reduction in services.	Mark Sheldon	15 December 2010	4	4	16	Reduce	SLT work with the Cabinet using the BtG programme to deliver existing workstreams, new initiatives and accelerate the commissioning programme.	Feb 2012	Chief Finance Officer Mark Sheldon	
1.08	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	

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NET GENERAL FUND BUDGET 2010/11 REVISED AND 2011/12

GROUP	2010/11 ORIGINAL	2010/11 REVISED	2011/12 ORIGINAL
	£	£	£
Projected cost of 'standstill' level of service			
Strategic Management	406,050	379,200	342,100
Assistant Chief Executives	3,496,300	3,224,550	2,929,250
Built Environment	22,000	1,477,900	(741,800)
Community Services	47,600	1,162,900	1,227,200
Customer Access & Service Transformation	562,400	331,000	441,600
Financial Services	1,385,400	1,370,300	1,450,900
Health & Culture	4,084,500	4,900,750	4,483,250
Human Resources & Organisational Development	(33,200)	35,500	53,100
Operations	7,589,700	6,129,600	6,448,000
Business Change	17,000	646,600	554,800
Programmed Maintenance (Revenue)	811,000	751,600	406,200
Savings from procurement	(120,000)		
Savings from vacancies	(400,000)	(50,000)	(400,000)
Bad debt provision	40,000	40,000	40,000
	<u>17,908,750</u>	<u>20,399,900</u>	<u>17,234,600</u>
Capital Charges - Appendix 5	(757,600)	(1,838,700)	(2,097,600)
Interest and Investment Income - Appendix 6	293,600	(72,700)	529,800
Use of balances and reserves - Appendix 7	(685,353)	(1,717,303)	429,543
Proposed Growth recurring - Appendix 3			106,500
Proposed Growth one-off - Appendix 3			147,500
Savings / Additional income identified - Appendix 4			(2,076,050)
Area Based Grant	(28,500)	(40,300)	
Specific Grant in lieu of council tax freeze			(197,000)
NET BUDGET	<u>16,730,897</u>	<u>16,730,897</u>	<u>14,077,293</u>
Deduct:			
Revenue Support Grant	(1,118,206)	(1,118,206)	(1,439,927)
National Non-Domestic Rate	(7,700,653)	(7,700,653)	(4,658,405)
Collection Fund Contribution	(33,500)	(33,500)	(59,500)
	<u>(8,852,359)</u>	<u>(8,852,359)</u>	<u>(6,157,832)</u>
NET SPEND FUNDED BY TAX	7,878,538	7,878,538	7,919,461
Band 'D' Tax	£187.12	£187.12	£187.12
Increase per annum			£0.00
Increase per week			£0.00
% Rise			0.0%
INCREASE - 2010/11 base v 2011/12 budget			40,923

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Ref	Division	Project Name	Description	Revenue Costs			Income/savings/match funding			Net revenue requirement			Capital Costs		
				2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
				£	£	£	£	£	£	£	£	£	£	£	
SUPPORTED GROWTH (RECURRING)															
1	CA&ST	Telephony switch upgrade	The upgrade of the telephony software version is essential to maintain support with the manufacturer. We are unable to purchase any additional telephony licences under the current version. This will enable us to have more up to date versions of the contact centre software which is essential for supplying telephony to our services.												
2	Built Environment	Freeze car parking charges	Maintain car park charges at current levels - i.e. no inflationary increase	106,500	106,500	106,500						106,500	106,500	106,500	70,300
3	Built Environment	Car park management technology	The upgrade of the car park management technology at selected sites such as Regent Arcade is essential as the existing management systems and hardware have now reached the end of their life cycle. The upgrades will ensure continued compliance in data collection and storage, ongoing viability of the management and operating system and will release resources needed to provide ongoing service delivery												250,000
				106,500	106,500	106,500	0	0	0	0	0	106,500	106,500	106,500	320,300
SUPPORTED GROWTH (ONE OFF)															
4	Operations	Extended programme of urban gull population control by egg colling (sterilization)	Changes in weather patterns has resulted in breeding times changing with eggs being laid over a longer period. Additional £1,500 per annum will pay for 3-4 extra treatment days.	1,500	1,500										
5	Operations	Parks and Gardens	Investment in Imperial and Montpellier Gardens to provide improved facilities for hirers, including Cheltenham Festivals.	140,000											
6	Health and Wellbeing	Arts Council	One-off transitional funding in lieu of permanent cut to funding.	6,000											
				147,500	1,500	1,500	-	-	-	-	-	-	-	-	-
SUPPORTED GROWTH (FUNDED FROM GENERAL RESERVE)															
7	CA&ST	Business Change	Support the organisation's business change activity in a period of significant change including the major change to an Enterprise Resource Planning (ERP) system facilitated by the GO programme.	80,000											
8	CA&ST	Shared Revenues and Benefits Service	Funding towards a potential shared revenues and benefits shared service with another council subject to a business case.	100,000											
				180,000	-	-	-	-	-	-	-	-	-	-	-
SUPPORTED GROWTH (FUNDED FROM PROPERTY R&R RESERVE)															
9	Built Environment	Power Perforctors	Installation of voltage optimisation devices to improve efficiency of electricity supply coming into buildings.	75,900			4,300							15,700	
				75,900	-	-	4,300	-	-	-	-	-	-	15,700	-

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A	Bridging the Gap Programme Project / Area of Activity		MTFS PERIOD						K	L	M	N	O	P	Q
	D	E	F	G	H	I	J								

2011-12 BRIDGING THE GAP INITIATIVES - BUILT INTO BASE BUDGET

	Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Cumulative annual impact on MTFS 2015/16 £	2011-12 One-off Costs £	FTE Impact	FTE Losses 2011/12	FTE Losses Future Yrs	Equality and Diversity Impacts	Service/Risk Implications
CORPORATE													
1	125,000						125,000					None identified.	Risk that the council's buildings will not be repaired and renewed to the desired standards. Only minimum works will be completed.
FINANCIAL SERVICES													
2	5,500						5,500					None identified.	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.
3	9,000	9,000	56,100	32,900	6,100		113,100					None identified.	Requires both Cheltenham Borough and Gloucester City to approve the factored borrowing of £1.2m each for onward lending to the airport company
HEALTH & WELLBEING													
4	5,000	5,000					10,000					None identified.	None identified.
5	5,000						5,000					Reduction in concessions may impact on the ability of some Voluntary Community Groups to hire the facilities.	There is a risk to the service if charities discontinue to use these venues and replacement bookings are not made.
6	15,000						15,000		Vacant post	1.0		None identified.	None identified.
7	46,400						46,400					None identified.	None identified.
8	24,300						24,300		Redundancy	1.0		None identified.	None identified.
9	11,900						11,900		Vacant post	1.0		None identified.	None identified.
10	15,000						15,000		Vacant post	1.0		None identified.	None identified.
11	50,000						50,000					None identified.	None identified.
12	5,000	5,000	5,000	5,000	5,000		25,000					The grant reduction may impact on the Everyman's ability to provide outreach work which is particularly valued by community groups; the everyman has focused recently on work with BME communities.	May impact on the operations of the Everyman Theatre.
BUILT ENVIRONMENT													
13												None identified.	None identified.
14	14,000						14,000					None identified.	None identified.
15	11,600						11,600		Vacant post	0.5		None identified.	Reduction in capacity could impact on service delivery and income generation.
16	19,900						19,900		Vacant post	1.0		None identified.	Reduction in capacity could impact on service delivery and income generation.
17	20,000						20,000		Vacant post	1.0		None identified.	Reduction in capacity could impact on service delivery.

18	OPERATIONS	Bridging the Gap Programme Project / Area of Activity A	MTFS PERIOD										FTE Impact M	FTE Losses Future Yrs O	Equality and Diversity Impacts P	Service/Risk Implications Q	
			Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Cumulative annual impact on MTFS 2015/16 £	2011-12 One-off Costs £	2011-12 FTE Losses Future Yrs O	2011-12 FTE Losses Future Yrs O					
			D	E	F	G	H	I									J
18	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.											0			Assistant Director to keep an overview of how older people / disabled people are using the new outdoor facilities and make sure they are aware of the help that is available.		
	Income from TBC co-locating depots (rent review) Private Waste Premises Licence	22,600 39,000										22,600 39,000			None identified.		
19	UNDERTAKE EXTERNAL AIR QUALITY MONITORING AS ALTERNATIVE TO OWN EQUIPMENT	4,000										4,000			None identified.		
20	CAST SOURCING STRATEGY - REVENUES & BENEFITS Savings from Systems Thinking	35,000	115,000									150,000			None identified.		
													2.9		The systems thinking work should produce a more efficient and effective service for our customers.		
21	SYSTEMS THINKING - ICT PHASE 1 Temporary post deleted as a result of efficiencies arising from a systems thinking review	30,000										30,000			None identified.		
22	CANCEL LICENCE FOR GEOGRAPHIC INFORMATION SYSTEM (GIS)	12,900										12,900			None identified.		
23	POLICY & PERFORMANCE INTERNAL AUDIT PARTNERSHIP WITH COTSWOLD DC Savings resulting from approval of the business case by both Cabinets in June 2009 and implementation of new shared service on 01/09/09.	30,400										30,400			None identified.		
24	SHARED STRATEGIC LAND USE Share of Strategic Land Use manager with Tewkesbury Borough Council	24,100										24,100			None identified.		
25	AUDIT COMMISSION FEE SAVINGS FOLLOWING CESSATION OF COMPREHENSIVE AREA ASSESSMENT	18,000										18,000			None identified.		
26	LOCAL GOVERNMENT ASSOCIATION (LGA) - SAVING RESULTING FROM REDUCTION IN MEMBERSHIP COST	2,600								300		3,200			None identified.		
27	HUMAN RESOURCES SYSTEMS & BUSINESS IMPROVEMENT MANAGER Postholder transferred to GO Programme from August 2011	16,300										16,300			None identified.		
28	CORPORATE TRAINING - INCREASED USE OF LMS LEARNING GATEWAY	2,000	2,000									8,000			Need to keep an overview of staff access to training to make sure that there are no barriers to learning.		
29	ONE LEGAL Cumulative effect of two years of pay freezes.	9,600										9,600			None identified.		
30	COMMUNITY SERVICES COMMUNITY DEVELOPMENT REORGANISATION Reorganisation of the Community Development and Housing Options Teams, balance of saving following restructure	14,600										14,600			None identified.		
31	COMMUNITY ALARMS Saving from renegotiation of emergency call out contract and reduction in lifeline equipment budget to match stock requirements	13,000										13,000			None identified.		
TOTAL SAVINGS BUILT INTO BASE BUDGET			731,700	136,000	63,400	39,900	11,400	0	0	0	0	982,400	10.0	2.9			

A	Bridging the Gap Programme Project / Area of Activity		MTFS PERIOD							K	L	M	N	O	P	Q
	D	E	F	G	H	I	J									

2011-12 BRIDGING THE GAP INITIATIVES - NOT BUILT INTO BASE BUDGET

	Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Cumulative annual impact on MTFS 2015/16 £	2011-12 One-off Costs £	FTE Impact 2011/12 N	FTE Losses Future Yrs O	Equality and Diversity Impacts	Service/Risk Implications	
CORPORATE													
32	144,000	54,000	15,000				215,000		2011-12 1 FTE Vacant post 1 FTE Redundancy 2012-13 1 FTE Redundancy	2.0	1.0	The restructure of Senior Leadership Team could potentially reduce the proportion of females in the top 5% of earners.	Reduction in capacity of the Senior Leadership Team.
33	10,000	15,000					25,000		Redundancy	1.0	None identified.	Risk that senior managers are not fully supported in their roles.	Risk that senior managers are not fully supported in their roles.
34	25,000						25,000		Redundancy	1.0	None identified.	Reduction in capacity to deliver the new commissioning approach.	Reduction in capacity to deliver the new commissioning approach.
FINANCIAL SERVICES & HUMAN RESOURCES													
35			178,800				178,800				None identified.	Transactional processing (accounts receivable, payable, payroll etc.) may not undertaken locally and there is likely to be more self service by managers and users of the systems. The resulting significant cultural change which will require support / resourcing in order to ensure that the transition is successful.	Transactional processing (accounts receivable, payable, payroll etc.) may not undertaken locally and there is likely to be more self service by managers and users of the systems. The resulting significant cultural change which will require support / resourcing in order to ensure that the transition is successful.
HUMAN RESOURCES													
36	8,000						8,000		Vacant post	0.5		The option to reduce working hours is more likely to be taken up by female members of staff who may have children or caring responsibilities. Senior Leadership Team to make sure staff have access to full information about the reduction in hours and the impact this will have on salaries / pensions.	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 of a permanent basis. Council will need to manage expectations of reduced workload and possible reductions in output for staff affected.
37	10,700						10,700					Potential greater impact on those on lower pay and Senior Leadership Team will need to ensure that staff with mobility problems continue to have access to parking close to their place of work, and consider location of spaces re. car users e.g. essential users.	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. Take-up may be reduced by more flexible (home) working and individuals electing to car share or use public transport.
38	1,000						1,000				None identified.	None identified.	None identified.
39			12,100				12,100		Shared post		0.5	None identified.	There are resilience issues if move to 1 FTE. This could be potentially resolved through shared services. Learning Management System could be used for self managed H&S training, culture and behaviour issues but the largest risk group are not PC users/office based and therefore self managed and e-learning not suitable. Need to ensure that capacity is there to support Waste Partnership.
40	22,500						22,500					Senior Leadership Team need to keep an overview of access to training and make sure that there are no detrimental impacts on our equality commitments.	There will be no funding to fund external training that may be required as the remaining fund in corporate training to largely made up of existing commitments, so training delivery will be impacted and increased reliance on e-learning.
41	52,150						52,150				As above.	Potential impact on staff's ability maintain professional qualifications. Managers will need to explore alternative learning opportunities for the teams.	Potential impact on staff's ability maintain professional qualifications. Managers will need to explore alternative learning opportunities for the teams.

A	Bridging the Gap Programme Project / Area of Activity										Q			
	Estimate 2011/12 £ D	Estimate 2012/13 £ F	Estimate 2013/14 £ G	Estimate 2014/15 £ H	Estimate 2015/16 £ I	Estimate 2016/17 £ J	Cumulative annual impact on MTFS 2015/16 £ K	2011-12 One-off Costs £ L	FTE Impact M	FTE Losses 2011/12 N		FTE Losses Future Yrs O	P	Service/Risk implications
42	80,000						80,000						Senior Leadership Team to keep an overview on how this impacts on the gender / disability / BME proportion of staff.	Vacancies arise as a matter of chance not planning and the requirement for particular skills may limit transferability of staff to where the needs are greatest.
43	20,000						20,000						None identified.	Employment relations issues will need to be carefully considered re. varying contractual arrangements.
44	38,200	61,800					100,000						None identified.	Those that may not have claimed mileage to date may claim mileage if they lose their allowance. Need to ensure follow council policy or risk employment relations issue.
45	10,000						10,000						None identified.	None identified.
46	5,000						5,000						A positive move re. equality as the allowance does not appear to be applied consistently at present.	The withdrawal of evening meeting allowances will impact on those officers who must attend meetings as part of their regular duties eg democratic services. The current staffing levels are not geared towards time off in lieu and therefore it will impact on their availability during normal office hours. The new localism bill will also put more of a requirement on officers to attend community meetings which will be in an evening and therefore members, public and other officer expectations about officer availability during office hours will need to be managed.
47	5,600						5,600						None identified.	Staff unwilling to volunteer to be a first aider.
48	1,000						1,000						None identified.	Loss of feature to offer partners - potential income generation loss. Will not have capacity to reinstate once lost. CBC has been 4 graded test centre for last 4 years - loss of kudos.
HEALTH & WELLBEING														
49	109,200						109,200							May impact on the operations of Cheltenham Festivals.
	-71,400						-71,400							The grant cut may impact on the ability to provide outreach work which is particularly valued by community groups.
50	50,000						50,000							The proposed move of the TIC to the new Art Gallery extension will improve access to this service.
51			50,000				50,000							None identified.
														Business case is dependent upon increased turnover and commercial activity.
52	10,000						10,000							Assistant Director to keep an overview on how this will impact on the work with BME groups and children / young people.
53		10,800					10,800							Assistant Director to keep an overview on how this will impact on the work with BME groups and children / young people.

54	CANCELL CONTRIBUTION TO MAD (Make A Difference) YOUTH COUNCIL OFFICER	MTFS PERIOD										Service/Risk Implications					
		Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	2011-12			FTE Losses Future Yrs		Equality and Diversity Impacts				
								One-off Costs £	£	£							
A	D	F	G	H	I	J	K	L	M	N	O	P	Q				
		15,000															The grant is used to fully fund the MAD coordinator who is commissioned by the Gloucestershire County Council Youth Service. GCC have no resources to undertake this function without the grant support from the council and therefore the function will cease. However, due to restructuring within GCC's Youth Services and its changing requirements continued funding could not guarantee the continuation of the service.
	BUILT ENVIRONMENT																
55	POWER DIRECTOR Equipment for saving energy costs at Leisure@ (to be rolled out across other sites at later stages)	4,300	15,700														Energy savings are not delivered, or are mitigated by other factors.
56	MERGE PRIVATE SECTOR HOUSING AND PLANNING ENFORCEMENT TEAMS (1 FTE)	30,000								TBA	1.0						Reduction in capacity could impact on the council's ability to enforce statutory requirements.
57	CAR PARKING STAFF RESTRUCTURE	20,000									1.0						None identified.
58	MERGING ON STREET AND OFF STREET PARKING TEAMS	30,000	10,000								2.0						Reduction in capacity could impact on service delivery.
59	CONCESSIONARY FARES - DISCRETIONARY TOP UP OF STATUTORY SCHEME. Currently, the council funds the scheme top up for the period 9.00 - 9.30. However, the spending review (CSR10) took the full cost / budget for the scheme away from the council, hence it can no longer continue to fund the enhanced scheme following the transfer of the responsibility to GCC w/e 1/4/11.	0															There will be a direct and adverse impact on the availability of concessionary transport between 9.00am and 9.30am.
60	CANCEL TAXI VOUCHER SCHEME Third Sector Services provide transport service for those in need. Discontinue discretionary element of concessionary travel scheme in light of county only backing statutory scheme. Provide £3.4k back to Third Sector Services for community transport support.	26,700															Concessionary travel will be a County Council responsibility from 1st April 2011.
	Provide financial support to Third Sector Services to support community transport. Charge Third Sector Services for use of College Road.	-5,400															Officers will need to have discussions with CK Senior Citizens Welfare Committee, who run the scheme, about how the withdrawal of funding can be mitigated - either by charging fees or by using other community transport options
61	CANCEL CHARLTON KINGS ELDERLY TRANSPORT GRANT	5,400															Reduction in capacity will impact on the ability of the service to support project related activities.
62	URBAN DESIGN PROJECTS OFFICER	3,000															
62	URBAN DESIGN PROJECTS OFFICER	20,000															
63	OPERATIONS SHARED WASTE MANAGEMENT SERVICES WITH TEWKESBURY BC Operational efficiencies resulting from operating shared working practices with Tewkesbury BC.	50,000	50,000														None identified.
64	INCREASE PEST CONTROL CHARGES BY 5%	1,100															The increase may impact on the ability of some individuals to purchase the councils service, but alternative suppliers are available.
65	MOVE TO SUSTAINABLE PLANTING AT BERKELEY MEWS & OXFORD GARDENS	22,000															None identified.

66	REVIEW OF ALLOTMENTS SERVICE - INCREASE IN CHARGES TO COVER COST OF SERVICE	MTFS PERIOD						Cumulative annual impact on MTFS 2015/16 £ K	2011-12 One-off Costs £ L	FTE Impact M	FTE Losses 2011/12 N	FTE Losses Future Yrs O	Equality and Diversity Impacts P	Service/Risk Implications Q	
		Estimate 2011/12 £ D	Estimate 2012/13 £ E	Estimate 2013/14 £ F	Estimate 2014/15 £ G	Estimate 2015/16 £ H	Estimate 2016/17 £ I								Estimate 2017/18 £ J
66	REVIEW OF ALLOTMENTS SERVICE - INCREASE IN CHARGES TO COVER COST OF SERVICE	1,000	25,000					26,000					The increase in charges for allotments may impact on the ability of some individuals to afford their allotments. Assistant Director to keep an overview on the impact of this proposal.	It is anticipated that the review of the allotment charge and the introduction of a new charging structure will not impact significantly on allotment take-up.	
67	REORGANISE PUBLIC PROTECTION TO REDUCE THREE SERVICE MANAGERS TO TWO	35,000						35,000	Redundancy	1.0			None identified.	Reduction in capacity could impact on service delivery.	
68	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. TBC and FOD DC Dry Recyclate Strengthened market prices plus longer term deals facilitated through the Pritwaste Contract	12,500 89,200						12,500 89,200					None identified.	None identified - project complete.	
69	MOVE TO ALTERNATE WEEKLY COLLECTIONS and CHARGE FOR COLLECTION OF GREEN WASTE	747,100	58,800					805,900					The introduction of charging for garden waste will impact more on residents on lower incomes who wish to purchase this service which is currently free, or can not access the facilities at the depot. The introduction of wheeled bins for garden waste will make it easier to transport for residents and staff. It will be important to ensure that residents will reduce mobility are aware of the assisted collection service.	Take up of the new service may be lower than anticipated. A comprehensive promotional campaign is being delivered to highlight the service and the benefits to customers.	
70	1% Increase in Recycling Performance Additional income from kerbside collection due to increased recycle prices	33,600 39,300						33,600 39,300							
70	DELETE VACANT PART TIME COMMUNITY RANGER	12,000						12,000	Vacant post	0.5			None identified.	None identified.	
71	STOP SUPPLY OF FREE DOG BAGS	12,200						12,200					The removal of this free facility may impact more on those residents on lower incomes.	There is a risk that incidences of dog fouling in public areas may increase. The degree to which responsible dog owners will still continue to clear up after their dogs despite having to provide their own bags is unknown.	
72	CLOSURE OF PUBLIC CONVENIENCES Coxs Meadow, Coronation Square, Ambrose Street, Bath Terrace, Church Piece, Portland Street will close. Toilets at the Town Hall, Royal Well, Pitville Park and Montpellier and Sanford Park (summer only) will remain. A scheme for accessing toilets in cafes / shops etc is also being finalised.	100,000						100,000	Vacant post	2.0			The closure of public toilets will have a detrimental impact on older people / disabled people and parents with children who need to access public toilets at short notice.	The council will need to consider how the impact of the closures can be mitigated by working with businesses to open up their toilets to public access, and signage to alternative facilities.	
73	CUTTING GRASS VERGES The council will terminate the maintenance agreement wef 1/4/2012. The responsibility for verges lies with GCC and CBC undertake this work under an agency agreement.		110,000					110,000	Seasonal FTE not required	3.0			None identified.	There is a risk that longer grass could obscure signage and views at junctions inhibiting drivers. Fewer cuts will lead to longer grass with a consequential impact on the environment.	
74	CASST REVENUES & BENEFITS- REDUCE 0.5 FTE ADMINISTRATION POST	9,000						9,000	Vacant post	0.5			None identified.	None identified.	
75	REVENUES & BENEFITS-POST ON MATERNITY LEAVE NO LONGER REQUIRED	20,000						20,000	Vacant post	1.0			None identified.	None identified.	
76	SYSTEMS THINKING - ICT PHASE 2 To be delivered with activities below: REVIEW OF PRINTERS CONTRACT AT MUNICIPAL OFFICES AND CHELTENHAM FESTIVALS CANCELLATION OF REDUNDANT BT LINES REDUCTION IN COSTS OF LANDLINE TO MOBILE CALL CHARGES	9,000 3,000 10,000						9,000 3,000 10,000					None identified.	None identified.	
77	GAR PARKING INCOME COURIER SERVICE Reduction in number of hours worked	3,500						3,500					None identified.	None identified.	

78	REDUCE COLLECTIONS TO SATELLITE OFFICES TO 3 PER WEEK	MTFS PERIOD												FTE Impact M	FTE Losses 2011/12 N	FTE Losses Future Yrs O	Equality and Diversity Impacts P	Service/Risk Implications Q				
		Estimate 2011/12 £ D		Estimate 2012/13 £ F		Estimate 2013/14 £ G		Estimate 2014/15 £ H		Estimate 2015/16 £ I		Estimate 2016/17 £ J							Cumulative annual impact on MTFS 2015/16 £ K	2011-12 One-off Costs £ L		
		6,500	6,500																		6,500	
79	CASHIERS (2) - REDUCE HOURS TO 4 DAYS PER WEEK	6,500	6,500										6,500					None identified.	The proposal may impact on the length of time it takes to make cash payments and Assistant Director to make sure that arrangements are in place for those with mobility difficulties.	None identified.	Reduce capacity may impact on ability to deliver service.	
80	CANCEL CUSTOMER SERVICES CRM SYSTEM Use UNIFORM system instead	23,000											23,000					None identified.		None identified.		
POLICY & PERFORMANCE																						
81	REVIEW OF CORPORATE COMMUNICATIONS	10,000	20,000										30,000					Redundancy	1.0	None identified.	Important to ensure that the public have the right level of information to access the council's services.	
82	RESTRUCTURE OF ECONOMIC DEVELOPMENT	16,000											16,000					Vacant post	0.4	None identified.	None identified.	
83	REDUCE ECONOMIC DEVELOPMENT GRANT SUPPORT TO COUNTY AND REGIONAL ORGANISATIONS	15,000											15,000							None identified.	Currently working with partner organisations on how can work collectively and use resources more collaboratively.	
84	REDUCTION IN GRANT SUPPORT TO CHELTENHAM STRATEGIC PARTNERSHIP	10,000											10,000							None identified.	The grant has been used in previous years to support vulnerable communities. The CSP is being supported to move to more joint commissioning and pooling of budgets so that funding can be used more effectively to support community outcomes.	
85	REDUCTION OF CABINET ALLOWANCES BY 5%	4,900											4,900							None identified.	The proposal may impact on a councillor's decision to accept a cabinet post.	
86	REDUCTION IN CIVIC AND MAYORAL EXPENDITURE	14,700											14,700							None identified.	This will mean a reduction in the level of expenditure and reduced level of support to the mayor.	
87	REDUCTION IN EXPENDITURE ON TWINNING	5,000											5,000							None identified.	Less support for programme of activity and will need to work more collaboratively with others.	
88	REDUCTION IN POLICY & PERFORMANCE EXPENDITURE	4,200											4,200							None identified.	None identified.	
89	END OF FIXED TERM CONTRACT FOR STRATEGIC LAND USE TECHNICAL SUPPORT	20,800											20,800					Redundancy	1.0	None identified.	None identified.	
COMMUNITY SERVICES																						
90	ONE OFF FUNDING OF HOMELESSNESS POST PRIOR TO CONSIDERATION OF THE TRANSFER OF HOUSING OPTIONS TO CHELTENHAM BOROUGH HOMES	30,000											30,000								Assistant Director to ensure that there is no loss of service to homeless and vulnerable people as part of these proposals.	Reduced capacity could impact on ability to deliver statutory duties.
91	MERGER OF STRATEGIC LAND USE AND HOUSING ENABLING FUNCTIONS	15,500	14,500										30,000					TBA	1.0	None identified.	Reduced capacity and will need to consider potential for partnership working.	
92	REDUCE GRANTS TO REGENERATION PARTNERSHIPS (Oakley and Hesters Way Partnerships) Reduce both partnerships by £2k each per annum over 5 years.	4,000	4,000	4,000	4,000								16,000							None identified.	Assistant Director to ensure that Regeneration Partnerships continue to be successful in promoting community regeneration in their areas.	
93	CUT FORUMS BUDGET (Reduce forums by £250 each)	500											500								May impact on the operations of the forums.	

TOTAL SAVINGS TO BE CONSIDERED	2,076,050	449,600	259,900	4,000	0	0	2,789,550	75,945	21.9	4.5
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TOTAL PROPOSALS	2,807,750	565,600	323,300	43,900	11,400	0	3,771,950	75,945	31.9	7.4
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MTFS FUNDING GAP	2,807,750	824,027	581,477	606,926	401,324	88,323	5,309,827
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SURPLUS (SHORTFALL)	0	-238,427	-258,177	-563,026	-389,924	-88,323	-1,537,877
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	2011-12	2012-13
Vacant post	17.8	0.0
Redundancy	6.6	6.9
Shared post	0.5	0.5
Seasonal FTE	4.0	0.0
	3.0	0.0
	31.9	7.4

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Capital Charges

	2010/11 ORIGINAL £	2010/11 REVISED £	2011/12 ORIGINAL £	NOTE
Minimum Revenue Provision (MRP)	498,600	875,100	616,200	1
Debt Redemption Premiums	220,700	145,700	145,700	2
Depreciation	(1,855,300)	(2,753,700)	(2,753,700)	3
Amortisation	(65,800)	(105,800)	(105,800)	4
Government Grants / Capital Contributions Deferred	444,200	0	0	5
Capital Charges	(757,600)	(1,838,700)	(2,097,600)	

NOTE

- 1 Prescribed % required to be set aside to repay debt as set in the MRP Policy
 - 2 Amortised cost of debt re-scheduling
 - 3 Depreciation - depreciation charged on the Council's tangible fixed assets
 - 4 Amortisation - amortisation charged on the Council's intangible fixed assets
 - 5 Capital Grants and Contributions Deferred - contribution to offset depreciation and amortisation charges on those assets financed from Government Grants and external contributions
- As a result of IFRS (International Financial Reporting Standards) this is no longer required from 1st April 2010

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Interest and Investment Income

	2010/11 ORIGINAL £	2010/11 REVISED £	2011/12 ORIGINAL £	NOTE
External Interest Payable	1,234,300	1,212,600	1,212,600	1
HRA Item 8 Credit	54,700	74,200	62,400	2
External Interest received	(243,200)	(221,100)	(168,300)	3
Interest due from the Icelandic banks	0	(331,500)	0	4
Icelandic Banks impairment	0	(230,000)	0	5
HRA Item 8 Debit	(752,200)	(576,900)	(576,900)	6
Interest and Investment Income	293,600	(72,700)	529,800	

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 Interest due in year from Icelandic banks
- 5 Impairment of Icelandic banks deposits credit
- 6 Item 8 debit - contribution from the Housing Revenue Account in respect of premium incurred from debt re-scheduling and debt charges

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DETAILED RESERVE MOVEMENTSRSVE
REF:USE OF BALANCES & RESERVES - SUMMARY

	BUDGETBOOK 2010/11 £	REVISED 2010/11 £	ORIGINAL 2011/12 £	NOTE
7301	1,712,947	4,307,793	1,736,343	
8240	(1,587,300)	(5,273,496)	(900,600)	
8248	(811,000)	(751,600)	(406,200)	
	(685,353)	(1,717,303)	429,543	
* CONTRIBUTIONS TO RESERVES				
BR02	150,000	150,000	150,000	Contribution to pension reserve to fund future pension and augmentation costs
BR05	26,700			Contribution to fund cost of IBS licence paid up front
BR12	7,500	7,500	7,500	Contribution towards survey every 3 years
BR12		57,590		Reserve realignment from Housing Needs Assessment Reserve
BR45		123,800		Contribution to fund the Joint Core Strategy with Tewkesbury and Gloucester
BR58		1,000,000		Reserve realignment from Housing Capital Reserve
BR63	131,400	131,400	29,300	Contribution to fund future costs in lieu of additional administration grant
BR67		331,500		Contribution to cover any additional losses arising in the value of Icelandic deposits and/or to reduce the borrowing arising from the capitalisation of the losses
BR76		127,500	61,200	Contribution to fund future election costs
BR88	77,500	693,000	77,500	Contribution to fund IT replacement programme
BR89	693,000	625,000	693,000	Contribution to fund Planned Maintenance programme
BR92	625,000	29,500	700,000	Contribution to capital reserve (subject to future review of capital financing strategy)
BR92		300,000		Reserve realignment from LABGI Reserve
BR92		717,373		Reserve realignment from Housing Capital Reserve
BS01		13,584		Reserve realignment from PDG Reserve
BS01			16,300	Reserve realignment from Highways Insurance Reserve
BS01	1,847	47	1,543	Transfer to General Balances in respect of Audit partnership savings
BS01	1,712,947	4,307,793	1,736,343	Transfer to General Balances
** CONTRIBUTIONS FROM RESERVES				
BR01		(94,000)		Contribution to fund transitional costs of single status
BR01		(23,800)		Contribution to fund 2010/11 back-pay
BR01		(200,900)		Contribution to fund pay protection
BR02	(201,700)	(150,000)	(100,000)	Contribution to fund increased pension costs as a result of the 2004 triennial revaluation
BR02	(150,000)	(65,500)	(100,000)	Contribution to fund increased pension costs as a result of the 2007 triennial revaluation
BR05		(1,800)	(1,800)	Contribution to fund cost of IBS licence
BR05	(5,000)	(5,000)	(5,000)	Contribution to fund maintenance on upgrades to Council Tax / Benefits system
BR08	(3,300)	(3,300)		Contribution to fund health & safety requirements
BR09		(54,200)		Contribution to fund Art Gallery & Museum development
BR09		(10,000)	(15,000)	Contribution to fund Playhouse Theatre development
BR10		(135,000)	(30,000)	Contribution to fund economic and cultural development as agreed by Council in previous financial years
BR10	(25,000)	(10,000)	(10,000)	Contribution to fund economic and cultural development as agreed by Council 29/6/09
BR10	(50,500)	(50,500)		Contribution to fund supported one-off growth items as agreed by Council 12/2/10
BR10		(29,500)		Reserve realignment to Capital Reserve

RSVE REF:	<u>DETAILED RESERVE MOVEMENTS</u>	BUDGETBOOK 2010/11 £	REVISED 2010/11 £	ORIGINAL 2011/12 £	NOTE
BR11	Housing Needs Assessment Reserve		(57,590)		Reserve realignment to House Survey Reserve
BR12	House Survey Reserve			(32,000)	Contribution to fund housing stock conditions survey costs
BR14	Flood Alleviation Reserve	(100,000)	(150,000)	(50,000)	Contribution to fund flood alleviation works
BR14	Flood Alleviation Reserve	(30,000)	(52,000)	(30,000)	Contribution to fund local flood alleviation works for 3 years (from EU Grant)
BR14	Flood Alleviation Reserve	(63,000)	(10,000)	(74,700)	Contribution to fund Severn Trent Water community fund schemes
BR42	Vehicle Leasing Equalisation Reserve		(101,200)		Contribution to fund new waste recycling service
BR52	Commuted Maintenance	(66,000)	(66,000)	(39,000)	Use of developers contributions to fund maintenance costs
BR54	Legal Staffing Reserve		(16,300)		Contribution to fund set up costs of One Legal
BR58	Civic Pride Reserve	(104,600)	(107,400)	(108,700)	Contribution to fund Project Manager
BR58	Civic Pride Reserve	(54,900)	(39,800)	(112,500)	Contribution to fund project costs
BR61	PDG Reserve	(245,900)	(130,800)		Contribution to fund future PDG costs
BR61	PDG Reserve		(717,373)		Reserve realignment to General Balances
BR63	Rent Allowances Equalisation Reserve	(65,300)	(72,100)	(68,400)	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		(60,000)		Contribution to fund the Joint Core Strategy with Tewkesbury and Gloucester
BR72	Local Plan Reserve		(20,000)		Contribution to fund compensation
BR76	Elections Reserve	(65,200)	(65,200)		Contribution to fund local election costs in 2010/11
BR77	Capital Reserve - HIP		(1,300,000)		Reserve realignment to Civic Pride and RCCO Reserves
BR78	Highways Insurance Reserve		(13,584)		Reserve realignment to General Balances
BR88	IT Repairs & Renewals Reserve	(134,900)	(109,900)	(119,900)	Contribution to fund IT infrastructure
BR89	Property Repairs & Renewals Reserve		(53,800)		Contribution to fund revaluation and business rate reviews
BR89	Property Repairs & Renewals Reserve		(166,800)	(15,000)	Contribution to fund Everyman Theatre grant
BR91	Old Year Creditor Rsvs - RR				Contribution to fund Regent Arcade improvements
BR92	Revenue Contribution to Capital Outlay (RCCO)	(4,500)			Contribution to fund the one-off staffing costs associated with the 2008/09 budget proposals as agreed by Council 8/2/08
BR92	Revenue Contribution to Capital Outlay (RCCO)		(350,000)		Contribution to fund Regent Arcade improvements
BS01	General Reserve		(8,000)		Contribution to fund Brizen Young People's Centre set-up costs
BS01	General Reserve		(44,150)		Contribution to fund additional MRP in 2010/11 as agreed by Council 12/2/10
BS01	General Reserve		(37,100)		Contribution to fund Eumonia joint waste management project
BS01	General Reserve		(114,000)	(71,600)	Contribution to fund Sourcing Strategy investment
BS01	General Reserve		(3,300)		Contribution to fund GO Programme
BS01	General Reserve		(50,000)		Contribution to fund Icelandic banks court case
BS01	General Reserve		(248,600)		Contribution to fund the one off staffing costs associated with the 2010/11 budget
BR91	Chief Executives		(110,600)		Approved carry forwards at 28/6/10
BR91	CAST		(20,000)		Approved carry forwards at 28/6/10
BR91	Health & Culture		(83,900)		Approved carry forwards at 28/6/10
BR91	Built Environment		(14,900)		Approved carry forwards at 28/6/10
BR91	Integrated Transport		(1,700)		Approved carry forwards at 28/6/10
BR91	Operations		(12,600)		Approved carry forwards at 28/6/10
BR91	Business Change		(9,800)		Approved carry forwards at 28/6/10
		(1,587,300)	(5,273,496)	(900,600)	
BR89	Property Repairs & Renewals Reserve	(811,000)	(751,600)	(406,200)	To fund Programmed Maintenance
		(811,000)	(751,600)	(406,200)	

***** CONTRIBUTIONS FROM RESERVES TO FUND ONE OFF REVENUE**

Property Repairs & Renewals Reserve

Sourcing strategy – programme closedown / transfer to General Reserve

A decision has been taken to decommission the Sourcing Strategy as a strategic programme. A number of the projects now exist in their own right and will report their delivery through to either Operational Programme Board or Bridging the Gap. A summary of the programme's deliverables is as follows:

The GO Shared Services Programme, approved by Council in October, is now a key strategic project in its own right and a ground-breaking partnership for 4 councils and one ALMO in Gloucestershire and Oxfordshire. The Council was successful in its bid to become the Support and Hosting Centre of Excellence and has more recently concluded successful discussions with Cheltenham Borough Homes to join the partnership. The new ERP system will be implemented in the Council in April 2012 and the Council intends to bid to run the remaining 2 Centres of Excellence. The total savings impact on the MTFs from GO Shared Services Programme is £179k pa by 2013/14 equating to £0.9M over 10 years (net of investment).

Original proposals to share Revenues and Benefits did not prove financially attractive to the Council. In addition to shared service investigation, the service also undertook systems thinking work and will have delivered its original target of £75k by 2011/12 and a further £115k target by April 2012. The total savings impact on the MTFs from Revenues and Benefits systems thinking is £190k pa equating to £1.72M over 10 years (net of investment).

Original proposals included a feasibility study to share ICT with Tewkesbury Borough Council (TBC). A small investment of £10k was set aside for the feasibility review. However, the project did not progress as a result of TBC withdrawing from the GO partnership and needing to concentrate on the installation of a new finance system. A decision was taken to use the £10k investment to undertake systems thinking work in ICT to deliver £30k pa savings from 2011/12. The total savings impact on the MTFs from ICT systems thinking is £30k pa equating to £290k over 10 years (net of investment).

Original proposals to share HR (known as OneHR) also with Tewkesbury did not go ahead again due to their withdrawal from the GO partnership. Whilst the decision to close the project was difficult, the shared learning will be beneficial as the service prepares its bid for the GO HR and Payroll Centre of Excellence. HR generated £24k additional income by providing an interim service to TBC in 2010/11.

In July it was reported that category management had been successfully implemented in the Procurement service. However, quarter 2 budget monitoring reported that whilst procurement had identified current year savings of c£62k, against a 2010/11 target of £120k, these could not be readily identified as cashable and matched to budget allocations. Therefore the original target of £130k pa savings will not be delivered. For 2011/12 onwards SLT endorse a cashable savings procurement work-plan with accountability to deliver savings resting with service managers.

Finally, the original recommended proposal for Customer Services was a consolidated customer service function across CBC. Whilst supportive of such a proposal SLT resolved they could not support better and more accessible electronic service delivery at the present time as it did not present a sufficiently compelling business case. However, SLT did acknowledge the significant benefits and savings derived through systems thinking work and endorsed this as the approach to take to improve services and drive further cashable savings. They will support investment in technology where this delivers an invest to save case. £254k was set aside in the Sourcing Strategy for this part of the programme.

As a result of the above, £274.4k of the original £785k allocated to the sourcing strategy programme can be returned to general balances. It is however, recommended that £80k of this sum be reallocated to support the organisations's business change activity in a period of significant change facilitated by the GO programme. In addition it is recommended that £100k be put aside for potential revenues and benefits shared service with a future partnering authority.

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PROJECTION OF RESERVES TO 31ST MARCH 2012		Purpose of Reserve		31/3/10	2010/11	2010/11	Reserve	31/3/11	2011/12	2011/12	Support 2011/12	31/3/12
				£	£	Capital	Re-alignment	£	Revenue	Capital	Budget and	£
											one off growth	
<u>EARMARKED RESERVES</u>												
Other												
BR01	Single Status Reserve	To fund implementation of Single Status	(332,947.00)	318,700.00	(14,247.00)			(14,247.00)				(14,247.00)
BR02	Pension Reserve	To fund future pension liability	(93,873.38)	65,500.00	(28,373.38)			(28,373.38)	(50,000.00)			(78,373.38)
BR03	CPA Reserve	To fund future CPA costs	0.00		0.00			0.00				0.00
BR04	Economic Development Reserve	To fund future economic studies	(14,200.00)		(14,200.00)			(14,200.00)				(14,200.00)
BR05	IBS License Reserve	To fund cost of IBS license paid up front	(155,500.00)		(148,700.00)			(148,700.00)	6,800.00			(141,900.00)
BR06	Keep Cheltenham Tidy Reserve	Keep Cheltenham Tidy campaign - scheme contributions	(626.27)		(626.27)			(626.27)				(626.27)
BR08	Grave Maintenance Reserve	Long-term grave maintenance	(3,674.33)	3,300.00	(374.33)			(374.33)				(374.33)
BR09	Cultural Development Reserve	To fund future arts facilities/activity	(80,161.00)	64,200.00	(15,961.00)			(15,961.00)	15,000.00			(961.00)
BR10	LABGI Reserve	To fund future economic / cultural development	(301,052.86)	225,000.00	(76,052.86)			(76,052.86)	40,000.00			(36,052.86)
BR11	Housing Needs Assessment Reserve	To fund cyclical housing needs surveys	(57,589.83)		(57,589.83)		57,589.83	0.00				0.00
BR12	House Survey Reserve	To fund cyclical housing stock condition surveys	(39,935.00)	(7,500.00)	(39,935.00)		(57,589.83)	(105,024.83)	24,500.00			(80,524.83)
BR13	Twinning Reserve	Twinning towns civic visits to Cheltenham	(17,400.00)		(17,400.00)			(17,400.00)				(17,400.00)
BR14	Flood Alleviation Reserve	To fund future flood resilience work, delegated to the Flood working group for allocation	(423,934.70)	212,000.00	(211,934.70)			(211,934.70)	154,700.00			(57,234.70)
BR15	Art Gallery & Museum Development Reserve	Insurance reserve for stolen jewellery	(2,000,000.00)		(2,000,000.00)			(2,000,000.00)	1,000,000.00			(1,000,000.00)
BR25	Pump Room Insurance Reserve	Insurance reserve for stolen jewellery	(28,066.11)		(28,066.11)			(28,066.11)				(28,066.11)
BR26	Museum Shop Reserve	Accumulated profits held for Museum shop improvements	0.00		0.00			0.00				0.00
BR27	TIC Shop Reserve	Accumulated profits held for TIC shop improvements	(11,729.18)		(11,729.18)			(11,729.18)				(11,729.18)
BR30	GF Insurance Reserve	To fund risk management initiatives / excess / premium increases	(159,971.44)		(159,971.44)			(159,971.44)				(159,971.44)
BR42	Vehicle Leasing Equalisation Reserve	Purchase of vehicles and equipment	(111,674.04)	101,200.00	(10,474.04)			(10,474.04)				(10,474.04)
BR45	Joint Core Strategy Reserve	To fund Joint Core Strategy	(110,000.00)	(123,800.00)	(233,800.00)			(233,800.00)				(233,800.00)
BR54	Legal Staff Reserve	To fund set-up costs of One Legal	(16,350.00)	16,300.00	(50.00)			(50.00)				(50.00)
BR58	Civic Pride	To pump prime civic pride initiative / match funding	(253,586.76)	147,200.00	(106,386.76)		(1,000,000.00)	(1,106,386.76)	221,200.00			(885,186.76)
				(4,212,271.90)				(4,183,371.90)				(2,771,171.90)
<u>Repairs & Renewals Reserves</u>												
BR52	Commuted Maintenance Reserve	Developer contributions to fund maintenance	(329,629.37)	66,000.00	(263,629.37)			(263,629.37)	39,000.00			(224,629.37)
BR78	Highways Insurance Reserve	County highways - insurance excesses	(28,583.91)		(28,583.91)		13,583.91	(15,000.00)				(15,000.00)
BR83	Council Tax/Benefits IT Reserve	Replacement fund to cover software releases	(30,000.00)		(30,000.00)			(30,000.00)				(30,000.00)
BR88	I.T. Repairs & Renewals Reserve	Replacement fund	(78,464.70)	(17,600.00)	(96,064.70)			(96,064.70)	42,400.00			(53,664.70)
BR89	Planned Maintenance Reserve	20 year maintenance fund	(1,063,708.61)	279,200.00	(784,508.61)			(784,508.61)	(271,800.00)	455,000.00	75,900.00	(325,408.61)
				(1,530,386.59)		200,000.00		(989,202.69)				(648,702.69)

PROJECTION OF RESERVES TO 31ST MARCH 2012		Purpose of Reserve		2010/11		2010/11		2011/12		2011/12		Support 2011/12		31/3/12		
				Movement		Re-alignment		Movement		Movement		Budget and		£		
				Revenue		Re-alignment		Revenue		Capital		one off growth		£		
		31/3/10		£		£		£		£		£		£		
EARMARKED RESERVES																
Equalisation Reserves																
BR61	Planning Delivery Grant Equalisation															
BR63	Rent Allowances Equalisation	(848,172.67)	(110,355.60)	130,800.00	(59,300.00)	717,372.67		39,100.00								
BR64	Planning Appeals Equalisation															
	Funding for one off appeals cost in excess of revenue budget	(38,955.09)														(38,955.09)
BR65	Licensing Fees Equalisation	(43,700.00)		17,000.00				17,000.00								(9,700.00)
	Past income surpluses to cushion impact of revised legislation															
	To cover any additional losses arising in the value of Icelandic deposits and/or to reduce the borrowing arising from the capitalisation of the losses	0.00		(331,500.00)												(331,500.00)
BR66	Interest Equalisation	(135,030.00)		80,000.00												(55,030.00)
BR72	Local Plan Equalisation	(66,200.00)		65,200.00												(1,000.00)
BR76	Elections/Electoral Reg. Equalisation	(1,242,413.36)														(627,940.69)
	Reserves for commitments															
BR91	Old Year Creditor Rsve - RR	(258,000.00)		258,000.00												0.00
	CAPITAL															
BR77	Capital Reserve - GF Housing	(2,202,476.15)		42,000.00												(490,476.15)
BR92	Capital Reserve - GF	(816,457.80)		(296,500.00)		1,300,000.00		(700,000.00)					320,300.00			(385,057.80)
	To fund Housing General Fund capital expenditure					(300,000.00)										
	To fund General Fund capital expenditure															
		(3,018,933.95)						(1,815,833.95)								(875,533.95)
	TOTAL EARMARKED RESERVES	(10,262,005.80)						(7,411,249.22)								(4,823,349.22)
	GENERAL FUND BALANCE															
BS01	General Balance - RR	(2,446,376.13)		497,103.00		(730,956.58)		53,757.00					180,000.00			(2,124,772.71)
	General balance															
		(2,446,376.13)						(2,358,529.71)								(87,846.42)
	TOTAL GENERAL FUND RESERVES AND BALANCES	(12,705,381.93)		1,717,303.00		1,221,300.00		(429,543.00)					576,200.00			(7,048,121.93)
	Projected Annual Reduction															2,721,657.00
																2,938,603.00

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/10	Budget 2010/11 agreed 29/06/10	Revised Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16
				£	£	£	£	£	£	£	£	£
Various	C/R	<u>BUILT ENVIRONMENT</u> Programmed Maintenance	New cremators			750,000	200,000	455,000				
	C	Regent Arcade	Estimated share of refurbishment costs - reclassified as revenue expenditure as asset was revalued at 31st March 2010	350,000		350,000						
LC6001	S	<u>GREEN ENVIRONMENT</u> S.106 Play area refurbishment	Developer Contributions	197,000		50,000	50,000	50,000	50,000	50,000	50,000	50,000
LC6002	LPSA/P	Birzen Recreation Ground	Replacement/Enhancement of pod at Birzen Recreation Ground for young people		45,000							
LC6006	C	Play Area Enhancement	Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards			226,000	226,000	80,000	80,000	80,000	80,000	80,000
LC6011	P	Pitville Park Boathouse	Enhancements to Pitville Park including the Boathouse bridge funded from Severn Trent Water Community Fund awarded following the floods in 2007.	620,000	72,000		72,000					
LC6015	P	Leckhampton Hill dry stone wall	Match funded with Natural England to construct dry stone walling on Leckhampton Hill sit of special scientific interest (SSSI)			483,000	483,000					
LC6020	C	Multi Use Games Areas (MUGA's)	Provision of MUGA's at Birzen Recreation Ground, Sandford Park, Naunton Park, and Oakley	135,000	121,754		13,000					
EC0033	C	<u>INTEGRATED TRANSPORT</u> CCTV in Car Parks	Additional CCTV in order to improve shopping areas and reduce fear of crime			84,000	84,000	50,000	50,000	50,000	50,000	50,000
EC0051	C	<u>ENVIRONMENTAL MAINTENANCE</u> Re-joining High Street/Promenade pedestrianised area	Re-joining works required to improve safety and appearance of the core commercial area	60,000	36,734	23,000	23,000					
LC6022		Burial Chapel	Invest to save scheme to convert burial chapel to handle cremations.	110,000		110,000	110,000					
GCERP	C	<u>Financial Services</u> GO ERP	Development of ERP system within the GO Partnership				321,700	100,000				
	c	Gloucestershire Airport	Contribution towards the redevelopment project - £1.2m loan					1,200,000				
DC3204	C	<u>ICT</u> Business Change Programme	Preparation of the GO Centre of Excellence proposals for ICT hosting			20,000						
DC3211		Working Flexibly	Deliver council services at a time and place which suit the customer.			67,000	67,000					

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/10	Budget 2010/11 agreed 29/06/10	Revised Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16
				£	£	£	£	£	£	£	£	£
DC3211		Flexible Working - Phase 2	Implementation of Citrix environment to deliver business applications to the home / remote users desktop		49,000	49,000	49,000					
DC3213		Storage Area Network	Storage for the council's data in a secure, expandable and robust environment	155,000	155,000	155,000	155,000					
DC3214		REVENUES & BENEFITS IBS PTC scheduler	Scheduling software for the Revenues & Benefits System to automate the running of processes.				10,600					
DC3212		DSU 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	20,000	20,000					
		COMMUNITY SERVICES										
HC7440	C/SCG/ PSR	Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.			600,000	614,000	600,000	600,000	600,000	600,000	600,000
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).		26,000	26,000	12,000	26,000	26,000	26,000	26,000	26,000
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	PSR	Renovation Grants	Grants provided under the Housing Grants, Construction and Regeneration Act 1996		819,000	400,000	299,800					
HC7465	PSDH	Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems									
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		350,000	42,000		370,000				
HC9200	C/S	Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with Cheltenham Borough Homes		500,000	110,000		1,790,000	2,900,000			
EC0006	C	CCTV/Town Centre initiative	Expansion of on street CCTV in the town centre to increase safety and secure the environment		55,000	55,000		50,000	50,000	50,000	50,000	50,000
		HEALTH AND WELL BEING										
	R/P	Art Gallery & Museum Development Scheme	Council's commitment to new scheme as agreed by Council 20th July 2008		1,000,000	0		1,000,000	1,000,000			
		Everyman Theatre	Contribution towards the redevelopment project - £1m loan and £250k grant	1,250,000				1,250,000				
		INTERIM BUDGET PROPOSALS FUTURE CAPITAL PROGRAMME:										
	C	Telephony switch upgrade						70,300				200,000
												200,000
												200,000

GENERAL FUND CAPITAL PROGRAMME

Code	Fund	Scheme	Scheme Description	Original Scheme Cost	Payments to 31/03/10	Budget 2010/11 agreed 29/06/10	Revised Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16
	C	Car park management technology		£	£	£	£	£	£	£	£	£
		CAPITAL SCHEMES - RECLASSIFIED AS REVENUE										
DC1066	C	Land & Property presale costs	Property & Legal costs associated with the proposed Midwinter Development and Felmongers site	353,100	336,450	16,600	10,000					
LC6005	C	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infrastructure.				16,600					
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					
EC0054		Depot Rationalisation	Costs associated with incorporating Tewkesbury Borough Council within the Depot site at Swindon Road	200,000	191,973	120,000	108,000					
		TOTAL CAPITAL PROGRAMME				6,015,600	3,263,900	7,641,100	4,956,000	1,056,000	1,056,000	1,056,000
		Funded by:										
		G Government Grants										
		SCG Specified Capital Grant (DFG)					10,600					
		LPSA Local Public Service Agreement					306,000	306,000	306,000	306,000	306,000	306,000
		P Partnership Funding					45,000					
		PSDH Private Sector Decent Homes Grant					791,000	299,800				
		HLF Heritage Lottery Funding					819,000					
		HRA Housing Revenue Account Contribution						100,000				
		R Property Planned Maintenance Reserve					200,000					
		R AG&M Development Reserve					1,000,000		1,000,000			
		S Developer Contributions S106					50,000		50,000	50,000	50,000	50,000
		C General Balances					321,700					
		C HRA Capital Receipts					110,000					
		C GF Capital Receipts					227,000					
		C HIP Capital Reserve					42,000					
		C Prudential Borrowing						370,000				
		C GF Capital Reserve						3,600,000	2,900,000	700,000	700,000	700,000
							1,392,600	1,070,300	700,000	1,056,000	1,056,000	1,056,000
						6,015,600	3,263,900	7,641,100	4,956,000	1,056,000	1,056,000	1,056,000

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SUMMARY - Year 6 - 7

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2011/12		
PM0000	All properties (H&S)	-	-	-	5,000	-	42,000	42,000
PM0000 Total		-	-	-	5,000	-	42,000	42,000
PM0010	Art Gallery/Museum	-	-	-	-	2,700	5,200	5,200
	Clarence Street (51)	-	-	-	-	-	300	300
	Clarence Street (53)	-	-	-	-	-	300	300
	Clarence Street (55)	-	-	-	-	-	300	300
	Clarence Street Library	-	-	-	-	-	1,000	1,000
PM0010 Total		-	-	-	-	2,700	7,100	7,100
PM0020	Town Hall	-	-	-	83,500	83,500	113,500	113,500
PM0020 Total		-	-	-	83,500	83,500	113,500	113,500
PM0030	Pittville Pump Room	-	-	-	88,700	115,700	136,900	136,900
PM0030 Total		-	-	-	88,700	115,700	136,900	136,900
PM0040	Pittville Cricket Hall	-	-	-	-	12,200	12,200	12,200
	Pittville Rec Centre CP	-	-	-	2,000	2,000	3,000	3,000
	Pittville Recreation Centre	-	-	-	10,000	29,200	65,900	65,900
	Pittville Swimming Pool	-	-	-	5,000	6,500	13,500	13,500
PM0040 Total		-	-	-	17,000	49,900	94,600	94,600
PM0041	PoW Stadium CP	-	-	-	-	-	4,000	4,000
	Prince of Wales Stadium Track	-	-	-	2,000	2,000	64,500	64,500
	Prince of Wales Stadium	-	-	-	27,300	27,300	64,300	64,300
PM0041 Total		-	-	-	29,300	29,300	132,800	132,800
PM0042	Agg Gardner Pavilion	-	-	-	-	-	-	-
	Beeches Pavilion	-	-	-	-	-	-	-
	Brizen Pavilion	-	-	-	-	-	-	-
	Burrows Pavilion	-	-	-	12,000	12,000	12,000	12,000
	Central Cross Kiosk	-	-	-	-	-	7,950	7,950
	King George V Pavilion	-	-	-	-	-	-	-
	Mary Godwin Pavilion	-	-	-	-	-	-	-
	Naurton Park Pavilion	-	-	-	-	-	-	-
	Pittville Boat House	-	-	-	-	-	-	-
	Priors Farm Pavilion	-	-	-	141,000	30,000	30,000	30,000
	Welch Road Pavilion	-	-	-	-	-	-	-
	Whaddon Road Pavilion	-	-	-	-	-	-	-
	All Pavilions	-	-	-	5,000	5,000	5,000	5,000
	Hatherley Park Pavilion	-	-	-	-	-	-	-
PM0042 Total		-	-	-	158,000	47,000	54,950	54,950
PM0060	Central Depot (Swindon Rd)	-	-	-	30,000	33,000	90,500	90,500
PM0060 Total		-	-	-	30,000	33,000	90,500	90,500
PM0061	Civic Amenity Centre	-	-	-	-	-	1,500	1,500
PM0061 Total		-	-	-	-	-	1,500	1,500

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2011/12		
PM0070	Municipal Office	-	-	-	20,000	10,000	14,000	14,000
PM0070 Total		-	-	-	20,000	10,000	14,000	14,000
PM0080	Cemetery Gardens	-	-	-	25,000	25,000	25,000	25,000
	Cemetery Lodge	-	-	-	-	500	500	500
	Cemetery Chapel	-	-	-	-	1,200	1,200	1,200
	Cemetery Nursery	-	-	-	-	650	650	650
	Cemetery Offices	-	-	-	4,500	4,500	5,150	5,150
PM0080 Total		-	-	-	29,500	29,500	32,500	32,500
PM0081	The Crematorium	750,000	200,000	455,000	50,000	50,000	111,200	766,200
PM0081 Total		750,000	200,000	455,000	50,000	50,000	111,200	766,200
PM0082	Charlton Kings Cemetery	-	-	-	-	-	650	650
PM0082 Total		-	-	-	-	-	650	650
PM0090	Agg Gardner Recreation Grd	-	-	-	-	-	-	-
	Alma Rd Scouts Hut	-	-	-	-	-	-	-
	Barn Farm	-	-	-	-	-	-	-
	Bath Road (55)	-	-	-	-	-	-	-
	Berkley Mews	-	-	-	19,000	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	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	-	-	-	-	-	100	100
	Civil Service Sports Ground	-	-	-	-	-	-	-
	Clyde Crescent Recreation Grd	-	-	-	-	-	-	-
	Dowdy 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	-	-	-	-	-	-	-

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2010/11 REVISED		
	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	-	-	-	-	-	-	-
	Montpellier Gardens Lodge	-	-	-	-	500	500	500
	Montpellier Gardens Proscenium	-	-	-	-	-	-	-
	Montpellier Gardens Shelter	-	-	-	-	15,000	15,000	15,000
	Montpellier Gardens Tennis Crt	-	-	-	-	-	-	-
	Naughton Park Recreation Grd	-	-	-	-	-	-	-
	Neptune's Fountain	-	-	-	-	5,000	5,000	5,000
	Old Patesians Sports Club	-	-	-	-	-	-	-
	Pittville Civil Defence Centre	-	-	-	-	-	-	-
	Pittville Park Aviaries	-	-	-	-	-	-	-
	Pittville Park Bandstand	-	-	-	-	200	200	200
	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	-	-	-	-	-	-	-
	Sandy Lane Playing Field	-	-	-	-	21,300	21,300	21,300
	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)	-	-	-	-	-	-	-

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2010/11 REVISED		
	St James Street (30)	-	-	-	-	-	-	-
	St James Street (32-34)	-	-	-	-	-	-	-
	St James Street (36-38)	-	-	-	-	-	-	-
	St Margaret's Hall	-	-	-	-	-	-	-
	St Margaret's Scouts Hall	-	-	-	-	-	-	-
	St Mary's Mission	-	-	-	-	-	200	200
	St Pauls Terrace (04)	-	-	-	-	-	-	-
	St Stephens Cricket Pavilion	-	-	-	-	-	-	-
	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	-	-	-	-	-	-	-
	Queen Elizabeth II Recreation Ground	-	-	-	-	25,000	25,200	25,200
	Up Hatherley Way Playing Field	-	-	-	-	-	7,000	7,000
	Welch Road Playing Field	-	-	-	-	-	-	-
	Whaddon Rd Bowling Club	-	-	-	-	-	-	-
	Whaddon Recreation Ground	-	-	-	-	-	-	-
PM0090 Total		-	-	-	-	90,800	99,400	99,400
PM0091	Everyman Theatre	-	-	-	-	35,000	35,000	35,000
PM0091 Total		-	-	-	-	35,000	35,000	35,000
PM0092	Cemetery Nursery	-	-	-	-	-	-	-
	Central Nursery	-	-	-	-	26,700	27,800	27,800
	Central Nursery House 1	-	-	-	-	12,000	12,000	12,000
	Central Nursery House 2	-	-	-	-	8,000	8,000	8,000
PM0092 Total		-	-	-	-	46,700	47,800	47,800
PM0095	Edinburgh House	-	-	-	-	2,500	2,200	2,200
PM0095 Total		-	-	-	-	2,500	2,200	2,200
PM0096	Stanton Rooms	-	-	-	-	-	400	400
PM0096 Total		-	-	-	-	-	400	400
PM0099	Memorials/Statues/Fountains	-	-	-	-	-	400	400
PM0099 Total		-	-	-	-	1,000	3,000	3,000
PM0120	Arle Court Park/Ride	-	-	-	-	1,000	3,000	3,000
	Baynham Way CP	-	-	-	-	-	-	-
	Bennington Street CP	-	-	-	-	-	-	-
	Chapel Walk CP	-	-	-	-	-	-	-
	Coronation Square CP	-	-	-	-	-	-	-

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2010/11 REVISED		
PM0120 Total		-	-	-	8,000	8,000	8,000	8,000
PM0121	Glenfall Street CP	-	-	-	-	-	-	-
PM0121 Total	Jersey Street CP	-	-	-	-	-	-	-
PM0123	Phoenix Passage CP	-	-	-	-	-	-	-
PM0123 Total	Pittville Park Golf Course CP	-	-	-	-	-	-	-
PM0124	Race Course Park/Ride	-	-	-	-	-	-	-
PM0124 Total	Rodney Road CP	-	-	-	-	-	-	-
PM0125	Sidney Street CP1	-	-	-	-	-	-	-
PM0125 Total	Sidney Street CP2	-	-	-	-	-	-	-
PM0126	Springbank Way CP	-	-	-	-	-	-	-
PM0126 Total	St. Peter's Rec Ground CP	-	-	-	-	-	-	-
PM0127	High Street CP	-	-	-	-	-	-	-
PM0127 Total	Idsall Drive CP	-	-	-	-	-	-	-
PM0128	Lansdown Place CP	-	-	-	-	-	-	-
PM0128 Total	North Place CP	-	-	-	-	-	-	-
PM0129	Portland Street CP	-	-	-	-	-	-	-
PM0129 Total	Regent Arcade Multi-storey CP	-	-	-	6,500	6,500	6,500	6,500
PM0130	Sherborne Place CP	-	-	-	6,500	6,500	6,500	6,500
PM0130 Total	Whitefriars Sixways CP	-	-	-	-	-	-	-
PM0131	Whitefriars Sixways CP	-	-	-	-	-	-	-
PM0131 Total	St. George's Road CP	-	-	-	-	-	-	-
PM0133	St. James's Street CP	-	-	-	-	-	-	-
PM0133 Total	Synagogue Lane CP	-	-	-	-	-	-	-
PM0134		-	-	-	-	-	-	-
PM0134 Total		-	-	-	-	-	-	-
PM0135		-	-	-	-	-	-	-
PM0135 Total		-	-	-	-	-	-	-
PM0136		-	-	-	-	-	-	-
PM0136 Total		-	-	-	-	-	-	-
PM0137		-	-	-	-	-	-	-
PM0137 Total		-	-	-	-	-	-	-

Expenditure Code	Building	C		Capital Total	R		Revenue Total	Total Cost to General Fund
		2010/11 ORIGINAL	2010/11 REVISED		2010/11 ORIGINAL	2010/11 REVISED		
PM0139	Bath Parade CP	-	-	-	-	-	-	-
PM0139 Total		-	-	-	-	-	-	-
PM0150	Honeybourne Line Folly Lane Bridge	-	-	-	3,000	3,000	3,000	3,000
	Honeybourne Line Lower High St Bridge	-	-	-	40,000	40,000	40,000	40,000
	Honeybourne Line Malvern Rd Bridge	-	-	-	7,000	7,000	7,000	7,000
	Honeybourne Line Market St Bridge	-	-	-	5,000	5,000	5,000	5,000
	Honeybourne Line St. Paul's Rd Bridge	-	-	-	35,000	35,000	35,000	35,000
	Honeybourne Line Swindon Rd Bridge	-	-	-	8,000	8,000	8,000	8,000
PM0150 Total	Kingham Lane Bridge	-	-	-	98,000	98,000	98,000	98,000
PM0160	Ambrose Street WC	-	-	-	-	-	500	500
	Bath Terrace WC	-	-	-	-	-	-	-
	Church Piece WC	-	-	-	-	-	300	300
	Cox's Meadow WC	-	-	-	-	-	300	300
	Edinburgh Place WC	-	-	-	-	-	-	-
	Grosvenor Terrace WC	-	-	-	-	-	-	-
	Imperial Gardens WC	-	-	-	-	-	300	300
	Montpellier WC	-	-	-	-	-	-	-
	Pittville Park WC	-	-	-	-	-	-	-
	Portland Street WC	-	-	-	-	-	300	300
	Royal Well WC	-	-	-	-	-	300	300
	Sandford Park WC	-	-	-	-	-	300	300
	All WCs	-	-	-	12,500	15,000	23,000	23,000
PM0160 Total		-	-	-	12,500	15,000	25,300	25,300
Grand Total		750,000	200,000	655,000	811,000	751,600	1,157,800	1,812,800
External Funding								
	Gloucestershire County Council	-	-	-	-	-	-	-
	Recreation Centre Maintenance Reserve	-	-	-	-	-	-	-
	War Commission	-	-	-	-	-	-	-
Total Net Cost to General Fund		750,000	200,000	655,000	811,000	751,600	1,157,800	1,812,800
Housing Revenue Account								
		-	-	-	-	-	2,200	2,200

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17**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 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. new recycling initiatives).
- 1.4 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.
- 1.5 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.
- 1.6 The strategy covers the period 2011/12 - 2016/17 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.
- 1.7 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 Corporate Strategy 2010 to 2015 was agreed in March 2010. The strategy sets out what the council is hoping to achieve over the next five years and what actions were planned to be taken in the first year (2010/11) to support these longer-term plans.
- 2.2 The corporate strategy provides over-arching long term framework for the MTFS, annual budget and action plan which will be reviewed and updated annually.

The council's objectives

- 2.3 The council agreed that it should move to fewer high-level objectives to help us be clearer about our priorities and that these objectives must reflect the

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

reality of community needs and provide a framework for community outcomes.

- 2.4 The strategy sets out the following three community objectives:
- Enhancing and protecting our environment;
 - Strengthening our economy; and
 - Strengthening our communities.
- 2.5 These are supported by two cross-cutting objectives of:
- Enhancing the provision of arts and culture; and
 - Ensuring we provide value for money services that effectively meet the needs of our customers.

The council's outcomes

- 2.6 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.
- 2.7 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.
- 2.8 From the consultation activities and the needs analysis we are proposing a set of outcomes the council should be focusing on.

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.
Strengthening our economy.	Cheltenham is able to recover quickly and strongly from the recession.
	We attract more visitors and investors to Cheltenham.
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 involved in 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.

- 2.9 The outcomes also relate back to the nine community aims set out in Cheltenham's Sustainable Community Strategy. This means that the council

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

is continuing its commitment to support the delivery of the community strategy.

- 2.10 The role of the MTFS is to support the delivery of the council's objectives and outcomes. 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.
- 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. The base budget projection reflects the transfer of responsibility and funding for concessionary fares from CBC to Gloucestershire county council.

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

Table 1: Projection of Funding Gap

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		14,077,293	13,609,666	13,559,089	13,528,263	13,763,639
Increased costs of existing services						
General Inflation		200,000	200,000	200,000	200,000	200,000
Employee related expenditure		57,700	392,100	381,400	387,800	394,700
Pension costs - 2004 Revaluation		50,000	50,000			
Pension costs - 2010 Revaluation		110,000	82,000			
Pension costs - 2013 Revaluation				120,000	120,000	120,000
Landfill Tax		40,000	41,100	41,100		
Maintenance of watercourses, streams and ditches		30,000				
Income						
Fees and Charges		(348,700)	(356,500)	(366,400)	(375,100)	(384,600)
Investment Income		17,400	(77,800)			
Specific grant to fund council tax freeze					197,000	
Reserves						
Property repairs & renewals fund		200,000	200,000	200,000	107,000	
Projected Net Cost of Service	14,077,293	14,433,693	14,140,566	14,135,189	14,164,963	14,093,739
Government Grants	(6,098,332)	(5,473,039)	(5,199,387)	(4,939,418)	(4,939,418)	(4,939,418)
Collection Fund surplus	(59,500)					
Council Tax (assumes 2.5% increase from 2012/13)	(7,919,461)	(8,136,627)	(8,359,702)	(8,588,846)	(8,824,221)	(9,065,998)
Projected Funding Gap	-	824,027	581,477	606,925	401,324	88,323
Cumulative Funding Gap		824,027	1,405,504	2,012,429	2,413,753	2,502,076
Funding Gap Projections:						
Council Tax (assumes 3.5% increase)		744,645	496,947	516,996	305,734	(13,202)
Cumulative Funding Gap		744,645	1,241,592	1,758,588	2,064,322	2,051,120
Council Tax (assumes 5.0% increase)		625,572	367,168	375,785	152,318	(179,639)
Cumulative Funding Gap		625,572	992,740	1,368,525	1,520,843	1,341,204

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

4. Key Assumptions

General

- 4.1 The net cost of services has been estimated by using the 'approved' 2011/12 base budget (subject to council approval on 11th February 2011) as the base for future projections through to 2016/17.
- 4.2 General inflation on supplies, services, 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. Current feedback from our advisors indicates that the council should not expect a significant price rise when entering into new contracts. Work is already starting on the energy tenders and the council will aim to buy from the markets at the most appropriate time to get the lowest prices, given the best

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

information available. However, gas transportation and distribution charges are due to increase by around 2% from April 2011. This equates to around £8,400 additional annual cost.

- 4.3 The retail cost of fuel is heavily linked to the global cost of oil and the Dollar/Sterling exchange rate. The recent reduction in the global cost of oil is now being reversed, current prices are rising and although still fluctuating, have now exceeded their peak levels 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 2010 budget report a pay freeze on public sector pay settlements (excluding increments) in 2011/12 and 2012/13 is factored into the projections. Pay settlements for the years 2013/14 to 2016/17 are estimated to be 2% per annum.
- 4.6 An allowance has been included for incremental progression in 2012/13 as a result of single status. The net cost of service assumes an employee turnover saving of 3% of gross pay budget.
- 4.7 Currently the unions are lobbying for a pay award for lower paid workers for a flat rate of £250 for those earning under £21k per annum. This would cost the authority around £88k. Given the financial settlement and the uncertainty over whether this will be supported, no budgetary provision has been made for this. Had this been built into the budget, additional savings with potential staffing implications would have had to be made. The decision to deal with any financial consequences of an agreement above a pay freeze within the revised budget for 2011/12 is prudent given the uncertainty and implications of allowing for it.
- 4.8 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.
- 4.9 The most recent triennial revaluation of the Fund was based on the position as at 31st March 2010, the draft results of which were published in December 2010. 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.
- 4.10 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 66% (compared with 75.3% in 2007), with a shortfall of £34.1m. The fund actuary is aiming for this deficit to be recovered over a 20 year period, giving the following target contribution rates for the council (for this three-year valuation period):
- a 14.65% future service rate which should cover the liabilities scheme member's build up in the future, plus

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

- an annual lump sum past service deficit contribution of £1.387m in 2011/12 (rising to £1.728m by 2013/14), to cover the shortfall in the fund.
- 4.11 The net pension fund liability as at 31st March 2010 is £70.405m as reported in the 2009/10 Statement of Accounts.
- 4.12 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.
- 4.13 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 resulting from the 2013 revaluation based on 1% per annum over remainder of the period of the MTFS.

Landfill Tax

- 4.14 Central Government is applying a cost escalator for landfill tax which increases the cost of commercial waste disposal by £8 per tonne, year on year until 2014/15. Although factored into the projections at £41,100 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.

Flood Resilience

- 4.15 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

- 4.16 A general assumption for a 2.5% increase in fees and charges (including car parking) has been factored in, but reviews of all charges are required annually by Service Managers.

Treasury Management

- 4.17 Investment income from cash investments falls in 2012/13. 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

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

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.

- 4.18 Investment interest is forecast to be £77,800 favourable in 2013/14 as interest rates are forecast to rise to around 3%. The consolidated rate for borrowing should also increase over the MTFS which would entail the HRA making an increase in debt repayments to the GF.

Specific Grant – Council Tax freeze

- 4.19 The Government has confirmed that a specific grant will be paid to authorities who set their basic amount of council tax for 2011/12 at a level which is no more than its basic amount of council tax for 2010/11 equivalent to a 2.5% increase in its 2010/11 basic amount of council tax multiplied by the authority's tax base for 2011/12. For Cheltenham this equates to £197,000.
- 4.20 The spending review concluded that funding can only be provided to support a council tax freeze in 2011/12. However, the Government intends to provide supplementary funding to authorities throughout this spending review via a specific section 31 grant to compensate them for the council tax foregone during the period of the freeze. For financial planning purposes, it is assumed that this grant will cease at the end of this spending review in 2015/16.

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 2015/16.

Government Support

- 4.22 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 2012/13 as part of the Comprehensive Spending Review 2010 (CSR10), future settlements may impact on effective longer-term financial planning and sustainability.
- 4.23 Given the severity of the cuts to funding levels, the two year proposal and the lateness of the settlement, does not provide stability and predictability in local government funding.
- 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 a further 5% in 2013/14 and 5% reduction in 2014/15 (i.e. a 31.28% reduction overall for the period of the spending review CSR10).

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17**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 Given Government restrictions on local authorities increasing council tax and the subsequent reduction in government funding, the council has faced a significantly more challenging financial position. The latest projections indicate a gap of £2.502m for the period of the MTFS (2012/13 to 2015/16) assuming a 'standstill' position in central government funding with 2.5% annual increase in council tax. 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

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.

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

5.3.2 In preparation for commissioning, the council is keen to see all services benchmarked but recognises the volume of work required to continually do so. In preparation for commissioning, a programme of service reviews and benchmarking will be developed to support the commissioning programme over the MTFs. This will help facilitate work with SLT and Members, via the budget working group, on the developing future outcomes for services.

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 has produced an updated Asset Management Plan 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.

5.5 Service Improvement through 'Systems Thinking'

5.5.1 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

5.5.2 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.

5.6 Shared Services

5.6.1 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

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

audit service with Cotswold District council and West Oxfordshire District council and shared Legal and Building Control services with Tewkesbury Borough council.

- 5.6.2 A more significant and complex piece of work is the programme for a shared Enterprise Resource Planning (ERP) system to replace individual payroll, HR, finance and procurement systems in 4 district councils (the other 3 districts are Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council) and Cheltenham Borough Homes with one system which will be a platform for a shared service for Finance and HR across these 4 districts.
- 5.6.3 Both Cheltenham Borough council and Tewkesbury Borough council have been examining options for joint working in waste services as members of the Gloucestershire Waste Partnership. The Joint Municipal Waste Management Strategy 2007 – 2020 makes a clear commitment to partnership working to make waste management more sustainable, including the development of service delivery partnerships with other authorities and the private sector. Both councils subsequently considered and accepted a detailed business case that outlines a programme of change to deliver significant efficiency savings across the partnership, with savings being achieved on both collection and disposal budgets. The timeline for change and realisation of the full range of savings is stretched over a period of 10 years.

5.7 SLT options

- 5.7.1 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 considered these options in arriving at their budget proposals.
- 5.7.2 '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 Commissioning

- 5.8.1 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 for 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.
- 5.8.2 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

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

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.

- 5.8.3 The MTFS assumes some initial savings from commissioning as a result of the senior management restructure approved by council. Whilst there are currently no target for specific commissioning projects there is an expectation, from within the organisation and amongst members, that this approach will deliver savings over the period of the MTFS.

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

	2012/13	2013/14	2014/15	2015/16	2016/17
	£	£	£	£	£
Projected Funding Gap @ 2.5% Council Tax (Table 1)	824,027	581,477	606,926	401,324	88,323
Identified Work-streams					
Service Reviews	(153,100)	(18,400)	(6,000)	(300)	
Asset Management	(29,700)	(111,100)	(37,900)	(11,100)	
Service Improvement	(115,000)				
Shared Services	(50,000)	(178,800)			
Commissioning	(69,000)	(15,000)			
Other Major Projects	(168,800)				
Projected Residual Funding Gap	238,427	258,177	563,026	389,924	88,323
Cumulative Projected Residual Funding Gap	238,427	496,604	1,059,630	1,449,554	1,537,877

- 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 car parking has declined to unprecedented levels.

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

- 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.

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 £700,000 in 2011/12. 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 which is now fully budgeted for.
- 6.3 The remainder of the capital programme is funded from other sources e.g. specific grants; however, the Private Sector Renewal Policy requires amendment following the Government's decision to cease providing private sector renewal funding. Capital received over the last two years, partly as a result of bidding and partly as a result of formulae allocation, has been carefully managed to avoid over commitment if government funding should cease. This careful planning means that loans to safeguard the health and safety of the most vulnerable people in Cheltenham will still be available while previous funding lasts. Limited funding now means that only the most financially vulnerable residents should be able to access funds, where their health and safety is at risk from a category 1 health hazard, as measured by the Health and Safety Rating System. The hope remains that other sources of Government funding to finance this important area become available in the future
- 6.4 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 prompted

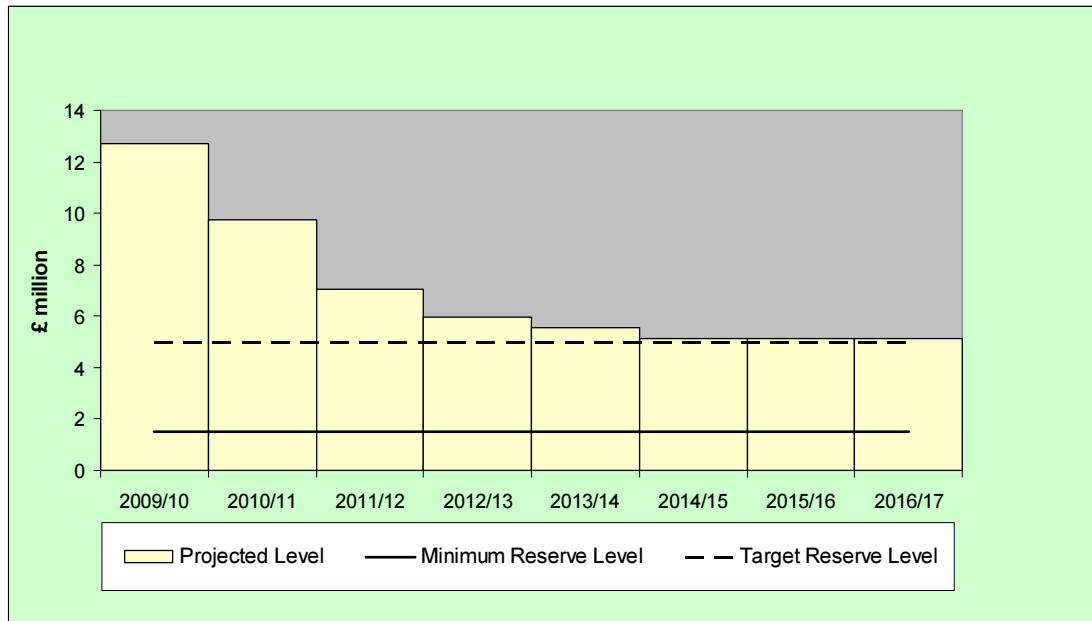
MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

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 are 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. 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
- 7.6 The proposed net budget requirement for 2011/12 is £14,077,293, which includes a net transfer to reserves of £429,543. When taking into account the proposals to support one-off growth in 2011/12 and revenue contributions used to fund the capital programme in 2010/11 and 2011/12, the level of reserves held by the council is projected to be £7,048,122 by 31st March 2012
- 7.7 The projected position for General Fund reserves to 2016/17 is shown below in Table 4:

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

Table 4: General Fund Reserves Projection 2009/10 to 2016/17



- 7.8 In view of the current economic climate and the risks associated with holding Icelandic investments, the Chief Finance Officer has maintained that General Reserves should be maintained in the range of £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.
- 7.9 The projection shown in Table 4 is important as it demonstrates that the uneven impact of unavoidable cost pressures can be handled, whilst providing temporary use of reserves to support the budget if required.
- 7.10 The graph demonstrates that the level of reserves held over the course of the MTFS is projected to remain above the projected target of £5m throughout the course of this MTFS.
- 7.11 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

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

- 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 has a clean and well-maintained environment

- 8.3.1 The council works with a range of community-based organisations to promote a clean and well-maintained environment such as 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 and the Tidy Cheltenham Group to promote a clean environment.

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

- 8.4.1 We are working in partnership with Gloucestershire County Council and other partners to coordinate the Cheltenham Local Development Taskforce 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 Carbon emissions are reduced and Cheltenham is able to adapt to the impacts of climate change

- 8.5.1 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 is also proposed to share a waste management team with Tewkesbury Borough Council, 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. The council also works in partnership with Vision 21 Gloucestershire to support Community Recycling Champions who promote waste reduction, re-use and recycling within their local community and puts £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.

8.6 Cheltenham has improved access and travel options

- 8.6.1 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

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17**8.7 Cheltenham is able to recover quickly and strongly from the recession**

- 8.7.1 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.
- 8.7.2 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.

8.8 We attract more visitors and investors to Cheltenham

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

8.9 Communities feel safe and are safe

- 8.9.1 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 play schemes.

8.10 People have access to decent and affordable housing

- 8.10.1 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.

8.11 People are able to lead healthy lifestyles

- 8.11.1 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.

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

- 8.12.1 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. Consequently we provide a range of grant funding to Voluntary

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

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.

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

8.13.1 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.

8.13.2 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. The current agreement is for the period 1st April 2008 to 31st March 2011 and a new agreement will be made with effect from 1st April 2011. The council provides annual in-kind support to CF, totalling £195,000 in 2010/11.

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

8.14.1 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).

8.15 Infrastructure Delivery Planning

8.15.1 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.

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17**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 £6,337,701. Claims averaging circa £650,000 per annum for 2009/10 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 who referred the issue back to the Tribunal to consider. The Tribunal will commence on 11th March 2011 and HMRC have submitted requests for further information from the four litigant councils involved in the case.
- 9.2.7 This remains a situation which has the potential for significant revenue receipts for the council should HMRC lose their case. However, the ECJ's

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

opinion does diminish the likelihood of success for the plaintiff councils. The Tribunal will consider the issues referred to them and a better idea of the likelihood of success going forward will be known once the Tribunal has reached its decision.

- 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.

Compound interest claim

- 9.2.9 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 2011; however any decision favourable to the taxpayer will be appealed by HMRC.
- 9.2.10 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.
- 9.2.11 Should the council be successful in this claim, the council's initial interest payment of £583k would be repaid again, potentially two or three-fold.
- 9.2.12 Progress of the court case continues to be monitored and, although a result is not expected in the near future, the council's interests in this case are protected should the outcome be favourable.

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 identifies additional funding requirements over the coming years and may consider alternative forms of financing, including prudential borrowing.

New Homes Bonus

- 9.4 The government proposes to introduce a new cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use.
- 9.4.1 Subject to the result of recent consultation, the New Homes Bonus will provide match funding of Council Tax for six years (based on national average for Band D property – i.e. £8,600 per dwelling over six years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).
- 9.4.2 First allocations will be in 2011 - funding will not be ring-fenced and is designed to allow the 'benefits of growth to be returned to communities'. It

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

has been suggested that funding will be split 80:20 between district and county authorities.

- 9.4.3 The government intends that this funding should become a permanent feature of the local government finance system with an extra £450 million available nationally over the first two years, with additional costs being met from the redistribution of formula grant.
- 9.4.4 The Council will need to decide how it wishes to budget for this new funding stream, as it will be an important element of future financing arrangements, dependent on both the rate of housing delivery locally and how this compares with delivery in other authorities across England. However, housing projections are notoriously difficult to predict accurately over the longer term and will need to be assessed prudently in making any assumptions about likely resource availability.

Off-Street Parking income

- 9.5 Income from off-street parking continues to fall as a result of a variety of supply and demand factors. There are two income streams which form the majority of the budgeted income i.e. fees and fines. The 2011/12 budget has addressed the recent shortfall in fee and fine income with a reduction of £500,000 in the income target. The VAT rate change to 20% has also been reflected in the base budget for 2011/12 with a further reduction in income targets of £90,000. Any continuation of the economic downturn is likely to result in this reduced level of activity being sustained into the near future years. The continuation of the concessionary fares scheme at national level is also likely to suppress future demand for parking services locally.

2012 Olympics

- 9.6 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.
- 9.7 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.
- 9.8 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

- 9.9 The council has £9.41m of un-recovered 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, and court

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2016/17

proceedings are due to commence in the spring of 2011. The MTFS assumes the impact of a worst case scenario based on best information available but the situation remains uncertain.

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.

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BUDGET CONSULTATION 2011/12 – SUMMARY OF RESPONSES

21 completed surveys were received in total.

Q1.

Given the need to find savings of £2.9m in 2011/12, do you think the council has compiled a list of proposals which is broadly acceptable given the circumstances?

		%
Yes	16	84
No	3	16
Total	19	100

Q2.

Are there any proposals for cuts which you do not support?

	Response	%
Cut grants to the Arts Council	8	26.7%
Reducing charitable concession for hire of town hall	5	16.7%
Cancel contribution to MAD (Youth Council)	2	6.7%
Closure of Public Conveniences	2	6.7%
Reduce Frequency of Cutting Grass Verges	2	6.7%
Stop employing insurance brokers	1	3.3%
Dropping ECDL qualification	1	3.3%
Reducing funding to Cheltenham Festivals	1	3.3%
Merger of Art Gallery & Museum and TIC	1	3.3%
Reduction in grant funding to Performing Arts Society	1	3.3%
Equipment for saving energy costs at leisure @	1	3.3%
Concessionary fares - discretionary top up of statutory scheme	1	3.3%
Cancel Taxi Vouchers Scheme	1	3.3%
Move to Alternate Weekly Collections and Charge for Collection of Garden Waste	1	3.3%
Reduce Economic Development Grant Support to County and Regional Organisations	1	3.3%
Reduction in CIVIC and Mayoral Expenditure	1	3.3%
TOTAL	68	100.0%

Q3.

If you have answered No to question 1, what savings could be made instead of the proposals you do not support?

Common responses were:

- Reduce planting in parks and gardens and hanging baskets in the town centre
- Sell land/buildings which are no longer required
- Closely examine entertainment and hospitality costs
- Charge Cheltenham Borough Council tenants for pest control
- Get tough and commercial on bad debts
- Funding for “big society”
- Reduction in chief executives remuneration
- Reductions in salaries of senior staff
- Smaller car for the Mayor
- Reduce amount of paperwork in general
- Reduce administration costs
- Ask for volunteers to help cut grass verges
- Increase charges at Leisure @ and Cemetery
- Turn down the heating in the Municipal offices
- Reduce HR and IT budgets by 10%
- Reduce Twinning Budget Further

- Reduce mileage rates for employees to HMRC rates of 40p
- Scrap car lump sums
- Reduce all staff salaries by 5% (except for lowest paid), pay freeze for foreseeable future, move to “career average” pension scheme
- Don’t freeze car parking fees
- Ask a company to sponsor the mayor an electric car

Q4.

Given the need to make further savings in future in response to more reductions in government funding where should the council continue to look to make savings? Please identify any services you believe where the council should reduce, or stop funding?

- Reduce councillor expenses more than 5%
- Merge Everyman and Playhouse theatres
- Share the Municipal offices with another organisation
- Reduce number of councillors
- Don’t give bus pass’ to 60 year olds
- Reduce management salaries
- Reduce CIVIC pride budget
- Get people doing community service to work on our parks and gardens
- Increase council tax
- Reduce discount for single household family’s in council tax
- Small annual charge for concessionary travel
- Stop Twinning
- Reduce back office costs further
- Reduce business change budget

Q5.

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

- “its not possible for the layman to analyse in detail the proposed cuts”
- “in general the budget review Is necessary from time to time”
- “nobody said it was easy”
- “it does not seem to go far enough in terms of redundancies”
- “I am happy to see that the council tax and parking rates are to remain unaltered”
- “Well considered response to an extremely difficult situation”
- “we stress the importance of not to undermine Cheltenham as and attractive centre for tourism”

Other Responses:

Anonymous:

The closure of ANY public toilets is a leap back to pre-Victorian times but the closure of the Bath Road toilets is totally irresponsible. There are no big stores with conveniences; the little shops mostly have 'upstairs' toilets and will not allow public usage for insurance reasons. Like myself, many people require easy access to toilets for medical reasons. I have to be sure of easy access to facilities before I go anywhere. I visit the shops, and particularly the opticians, in Bath Road, because the conveniences are readily available. I DO NOT WANT AND CANNOT GO INTO SHOPS, TELLING THEM MY MEDICAL PROBLEMS AND BEGGING TO USE A TOILET. Public toilets are a necessity not a luxury. Supposing EVERY shop and store says 'Our toilets can be used only by customers making purchases. Will the authorities allow the use of back alleys and gutters for people unable or unwilling to make purchases? By the end of the Victorian era, there were facilities in all busy thoroughfare! As, many of them staffed. Is the Council saying to all medically unfit, disabled and elderly people 'We cannot provide your basic needs so you cannot go to shopping areas any more'?

Mrs H E Atkinson, Secretary, Cheltenham Local History Society.

On behalf of CLHS, I am writing to express our concern at the proposal to cut the funding to the Cheltenham Arts Council as a result of the Budget Consultation. We feel that it is vital to have a central body, the CAC, to lobby for the many and varied arts groups in Cheltenham. We subscribe to CAC annually, and over the years have benefited greatly by grants it has given us to aid our research, buy equipment, and provide local history resources and displays. Ultimately, this benefits the town, bringing education and pleasure to many.

We therefore support CAC, and hope that the Council will reconsider how it will allocate its funding more fairly.

A letter was received from Cheltenham Arts Council in support of the Annual Grant to Cheltenham Arts Council.

I understand from the draft Budget Proposals that the Annual Grant to the Cheltenham Arts Council is likely to be removed in 2011 and beyond. I am writing to you in my capacity as Chairman of the Cheltenham Arts Council to offer my views on this proposal, and would appreciate it if this letter could be considered as part of the consultation process.

As you will know the Cheltenham Arts Council was set up by the Borough Council to act as a coordinating body for community arts organisations within the borough and to provide a valuable link between those organisations and the Borough Council. This link includes the disbursement of modest funds from the council to a range of organisations that would otherwise need to seek individual help and support from the Borough Council. The Cheltenham Arts Council represents the widest cross section of the population engaged in community arts endeavours and includes many organisations whose aims embrace encouraging young people to develop community and arts related activities. A list of our members is attached.

I note that the Budget Proposals do continue to include direct funding for some selected arts related organisations and I welcome this; however, I feel that for many of the organisations we represent, the availability of some funding from the central source of the Cheltenham Arts Council is vital.

I am aware that difficult choices have to be made; however, I offer these views, on behalf of the Cheltenham Arts Council, in good faith and in the understanding that it is not possible for the Borough Council to continue to support all arts ventures to the same extent. Rather I feel that having set up the Arts Council partly for the purpose of disbursing certain council funds equitably across various community arts organisations it would be a pity to revert to a

situation where those without a strong individual voice are not able to receive adequate support for worthwhile ventures.

Brian Carvell
Chairman, Cheltenham Arts Council

A Response from a member of the public

21.01.2011

To Councillor John Webster, All Members of the Cabinet and All Members of The Council.

Dear Councillor Webster

I am writing as we are concerned about the closure of public toilets in Cheltenham.

Our particular concern is the proposed closure of public toilets in the Bath Terrace Car Park. It is a very busy car park used by people of all ages and, as I am sure you know, serving the excellent Bath Road Shopping Area.

If these toilets are closed, where are the alternatives to be found? The shops and cafes in this area are mainly small ones and have limited facilities just enough for their customers. Some of the facilities are not on the ground floor and so stairs (some narrow and steep) have to be negotiated in order to access them, which can be a problem for people with disabilities. Also they are not all open every day of the week.

This is a different scenario from the town centre where there are shopping arcades and big shops and all week opening.

Closure could lead to a **serious public health issue**. Failing access to basic facilities, some people may resort to using the car park instead, which is both unpleasant, unhygienic and undesirable.

Where has the public consultation been on this? Have the local traders been consulted? Are they willing to provide this service to non-customers? Will their Council Tax be reduced to compensate them? Have the electors been consulted? We certainly have not and our house backs on to the car park.

I notice that certain conveniences have been earmarked for saving, all in certain strategic positions – Town Centre, Pittville Park and Montpellier Gardens. I would suggest the Bath Terrace Car Park also qualifies to be saved on account of a total lack of other public facilities in the area.

I hope that my letter will persuade you to look again at this matter.

Yours sincerely

CABINET RESPONSE TO BUDGET CONSULTATION

1. There were two stages to the consultation process. The first stage was conducted before the draft budget was produced, and the second consultation following the production of the draft budget.
2. The initial feedback was substantial as has been outlined. The results of the surveys highlighted those areas that people had suggested should be cut or protected and these were subjected to more detailed examination.
3. Most useful were the four Focus Groups that were selected from the list of participants in the survey. There were detailed discussions with the participants in these four groups prior to the formation of the budget and following the production of the draft budget they were consulted again and gave their response to it.
4. One of the most useful pointers for the Cabinet in identifying the criteria by which the budget should be evaluated was provided by the responses to the question 'What do you most like/ dislike about the town'. What emerged was that people most valued the environmental, social, cultural and economic quality of the town particularly the parks and gardens, the architecture, the festivals and so on. They disliked the things that got in the way of this, most notably crowded roads in poor repair, and anti-social behaviour. In assessing all the suggestions for cuts, the protection of the quality of the town was at the forefront of the Cabinet's considerations.
5. Following the production of the draft budget the people in the focus groups were invited back to respond to the budget suggestions. There was a unanimous view that in the circumstances the budget had satisfactorily addressed the deficit even though some suggestions – such as closing toilets – were acknowledged as difficult decisions. Concerns were voiced particularly about the impact of the verge-cutting contract, Cheltenham Festivals, the need to ensure the provision of more social housing for local people and the County Council cuts to the Youth Service.
6. The Overview and Scrutiny committees picked up a range of issues including Cheltenham Festivals and the verge-cutting contract among other concerns.
7. In addition there were 21 formal responses to the budget consultation document with the majority (16) 'broadly accepting' the budget.
8. As a result of the consultation some changes have been made to the draft budget. This has been made possible through further consultation with the pensions actuary (following the 2 year freeze on staff salaries) which has delivered a one-off saving of £259k.
9. This funding has therefore been reallocated as follows:
 - (i) For the coming year the £110k reduction in spend on the verge cutting contract will be reinstated. The basic contract with the County has been terminated so that from the financial year 2012/13 it will be their responsibility

to cut the verges unless negotiations with them produce a more acceptable settlement to Cheltenham.

- (ii) £140k has been allocated to facilitate works to Imperial and Montpellier Gardens as a first phase of works. Cheltenham Festivals initially requested that we provide transitional funding to them for the next two years amounting to £71k for the coming year, and £35k for the following year (total £106k). Because of cuts to their cash grant proposed in the draft budget and the installation of a new box office system which will increase their income at a cost to the Council, the amount of cash grant they will receive in the next financial year is effectively nil, although they will continue to receive substantial support in kind from the Council. The Cabinet was sympathetic to the Festivals but felt the best way to support them was to invest in the infrastructure that enabled them to become financially successful in the long term and which also benefited the whole town at the same time. The catering contract will be renegotiated in 2012 and will apply only to the Town Hall and the outside bar, and not the whole gardens, and so the Festivals will be able to make an income from this. They will also be able to use Imperial and Montpellier Gardens free this year, but in future years will have to pay a fee at the charitable rate.
 - (iii) There has been a problem reported relating to nuisances caused by seagulls in the town and so £3k one-off additional funding has been allocated over the next two years, to extend the oiling of seagull eggs.
 - (iv) There have been a series of objections to ending the grant to the Arts Council (£10k). The Cabinet suggests that one-off funding of £6k be allocated to them to cover this year only, to help reduce the effect of the lost funding.
 - (v) Extensive and intensive work has been put into consultation around the budget which has been useful and has reassured people that the Council does take their views into account. A Budget Scrutiny Group has been established with representatives from all O&S committees which will meet throughout the year and consider the budget as it evolves and which can also look at more detail at some of the ideas that emerged during the process – like the suggestion that the Council should look towards more sponsorship and income generating initiatives.
10. In the commissioning environment there is a need for elected members to focus on finances throughout the year and not just at Budget time.

Budget scrutiny working group

Report to Cabinet 8 February 2010

Background

The council is keen to improve its budget scrutiny process. The current budget scrutiny process happens too late in the year to properly consider and influence Cabinet decisions in respect of the budget.

Given the reduction in government funding and the projected budget gap over the period of the Medium Term Financial Strategy (MTFS), the budgetary decisions made over the coming years are likely to be more radical as the council looks to reduce its costs and look to alternative ways of maintaining services valued by the public. As such, it is important to ensure that all options have been considered from whatever source. The council must ensure that Members work collectively, accepting political differences, on solutions to the budget gap.

With this in mind, a group of Members was drawn together, 2 from each of the various scrutiny committees to develop as budget scrutiny champions to support the process. The budget scrutiny working group met on 2nd November 2010 and 11 January 2011 to consider the following recommendation from Council in February 2010.

'Given the financial outlook, the process for scrutiny of the budget is to be reviewed in order to determine a more effective approach'.

Considerations of the working group.

In considering the current methodology for scrutinising the annual budget and influencing the decision making in preparing the annual budgets, the following points were raised by members that should be addressed in the shaping of any new process:

- Members wanted to feel that they had some influence over decisions.
- Members, outside the Cabinet, should have something to focus on in supporting the budget process.
- Members need to clearly understand any request made of them.
- The scrutiny process starts too late.
- Budget consultation is too late in process
- Some Members lack financial literacy and confidence.

In making these very valid points, Members considered the option of a permanent budget working group to support the budget process and develop Members' financial skills.

The group agreed that a **BUDGET WORKING GROUP** should be formally constituted and should meet regularly throughout the year to develop the budget process, support Members in developing scrutiny skills and consider ideas proposed by the Members, including Cabinet leads, on future options for reducing the budget gap. The views of the working group may be fed back to the relevant overview and scrutiny committee for further consideration prior to feeding back to the Cabinet.

It was considered important that members should be able to float any ideas however controversial or creative and those discussions should be confidential.

Members considered the impact on the Audit Committee but agreed that its role was to consider the council's governance arrangements and should remain independent of any process which helped shape the budget.

Members also considered the need to understand the commissioning programme of activity and how this group would help shape the options for testing in a commissioning process. Hence, the link with the commissioning programme of activity needed to be made.

Members recognised the need to ensure proper, open and transparent scrutiny continued to take place in the existing overview and security meetings. As such, it is not proposed that the working group replaces the current scrutiny committee but merely acts as a vehicle for the development of the budget scrutiny role. As such, for now, the current cycle of budget scrutiny will not change but changes may be proposed by the working group to be reflected in the budget strategy report to Cabinet in September 2011 which sets out the approach to the 2012/13 budget.

The working group have agreed on the following recommendation to Cabinet:

A cross party BUDGET WORKING GROUP should be formally constituted with 2 members of each overview and scrutiny committee to develop the budget process, support the development of Members' scrutiny role and to consider ideas from Members for reducing the budget gap.

Frequency of meetings: Bi - Monthly

Terms of reference:

- To consider options for bridging the funding gap i.e. proposals for charging or reduction in expenditure
- To review the work programme for commissioning and options being considered
- To develop members' scrutiny skills and understanding of financial matters
- To develop the approach to budget consultation

Cheltenham Borough Council

Cabinet – 8 February 2011

Council – 11 February 2011

**Housing Revenue Account (HRA) - Revised Budget 2010/11 and
Final Budget Proposals 2011/12**

Accountable member	Cabinet Member Community Development and Finance, Councillor John Webster
Accountable officer	Chief Finance Officer, Mark Sheldon
Accountable scrutiny committee	All Overview and Scrutiny Committees
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the HRA revised budget for 2010/11 and the budget for 2011/12
Recommendations	<p>Approve the HRA revised budget for 2010/11.</p> <p>Approve the HRA 2011/12 budget including a proposed average rent increase of 5.43% applied in accordance with the rent restructuring guidelines (subject to restraints on individual property increases when aggregated with service charges) and increases in other rents and charges as detailed at Appendix 5.</p> <p>Approve the revised HRA capital programme for 2010/11 at Appendix 6.</p> <p>Approve the HRA capital programme for 2011/12 at Appendices 6 and 7.</p> <p>That receipts of up to £3m from the sale of HRA assets (other than through Right To Buy) in the period 1st April 2011 to 31st March 2014 be used for affordable housing provision</p>

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Bob Dagger, bob.dagger@cheltborohomes.org, 01242 264225</p>
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<p>Legal implications</p>	<p>The Council cannot approve an HRA budget which would lead to an overall deficit on the account</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@tewkesbury.gov.uk</p> <p>Tel no: 01684 272012</p>
<p>HR implications (including learning and organisational development)</p>	<p>None as a direct result of this report.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
<p>Key risks</p>	<p>An overall risk assessment of the budget proposals is contained in Appendix 1.</p>
<p>Corporate and community plan Implications</p>	<p>The aim of the budget is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in government funding.</p>
<p>Environmental and climate change implications</p>	<p>The budget contains a number of proposals for improving the local environment, as set out in this report.</p>

1. Introduction

At the meeting on 21st December 2010, the Cabinet approved draft HRA budget proposals for 2011/12 for consultation. The Cabinet is now required to make recommendations to Council on the 2011/12 budget, having regard to the responses to the consultation.

2. Background

2.1 Both the revised budget for 2010/11 and budget for 2011/12 (Appendices 2 and 3) have been prepared to achieve the financial objective of retaining a contingent balance of at least £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 21st December 2010 have been amended as follows:-

- Increase in CBH management fee to fund additional post of Money & Benefits Officer (cost £31,500)
- Reduction in HRA subsidy payable following receipt of the final determination for 2011/12 (saving £86,600)
- Other minor adjustments to central administration charges and service charge income (saving £9,600)

The net impact of these amendments is to increase the estimated revenue reserve balance at 31st March 2012 by £64,700

3. 2010/11 Revised Budget

3.1 The revised budget at Appendix 2 shows an increase in surplus of £810,500 compared to the original estimate. This will increase the revenue reserve to £2,989,000 by 31st March 2011. Significant variations have been identified in budget monitoring reports and are summarised below:-

Budget Heading	Change in resources
	£'000
Reduction in revenue contributions required to fund capital programme	596
Reduction in interest payable (lower interest rates)	175
Reduction in HRA subsidy payable (lower interest rates)	52
Additional interest receivable (net impact of higher reserves and lower interest rates)	13
Reduction in Council Tax on empty properties (fewer long term voids)	17
Rent and service charge income (lower than estimate)	-49
Other net	6
Net Increase in Surplus	810

The increase in surplus reflects £214,500 of additional resources and a further £596,000 which arises from deferred capital expenditure and will be required in 2011/12.

4. 2011/12 Budget

- 4.1** The final HRA subsidy determination was published on 10th January 2011. It confirmed the proposals contained in the draft published in November except for an increase in the GDP deflator used to calculate allowances. This reduces the subsidy payable next year by £86,600.
- 4.1.1** It is anticipated that next year will be the last year of housing subsidy. The Government has announced it intends to introduce a new self financing regime for local authority housing from April 2012. Further details were published on 1st February 2011 and are currently being evaluated. The final individual settlements for each Council are to be announced in Autumn 2011.
- 4.1.2** The determination for 2011/12 shows a national average increase in guideline rent of 6.8% (6.5% for Cheltenham). Rent restructuring uses the retail price index for September each year to uplift the formula rent for the following financial year. In September 2010 this was 4.6% so formula rents will be increased by 5.1% (including +0.5% for convergence*) with rent restructuring now timetabled to complete in 2015/16. For Cheltenham tenants this will result in an average rent increase of 5.4% from April 2011 as illustrated by Appendices 4 & 5, although this may be marginally reduced when rents are aggregated with final service charges due to restraints on individual property increases.
- 4.1.3** As anticipated the special ALMO allowance for Councils with Round 1 and 2 ALMO's has been withdrawn. This gave a favourable rate of support (8% per annum) to offset the borrowing costs arising from the decent homes programme. These ongoing costs will in future be financed at the Council's consolidated borrowing rate, estimated at 3.08% for next year. This reduction in Government support has a net cost of £1,641,000 in 2011/12 but had been factored into HRA business plans.
- 4.1.4** The determination includes increases in management, maintenance and major repair allowances to partly offset the increase in guideline rent. The net effect of the subsidy proposals for Cheltenham, allowing for changes to unit allowances and stock levels, is a net additional liability of £2,099,000 compared with the current year. The changes proposed to individual elements are shown below:-

Element of Subsidy	% change in unit subsidy	Net variation to subsidy payable
		£'000
Management Allowance	+2.2%	-56
Maintenance Allowance	+5.5%	-284
Major Repairs Allowance	+4.7%	-139
Guideline Rent Income	+6.5%	938
Removal of ALMO Allowance		2,515
Charges for Capital		-835
Other Changes		-40
Additional Subsidy Payable		2,099

- 4.2** Significant changes to the HRA in 2011/12 as compared to the revised estimates for 2010/11 are itemised in the table below. The net impact is a decrease in resources of £2,500,500 producing a deficit of £1,092,300 for the year and reducing revenue reserves to £1,896,700 at 31st March 2012. This reflects the completion of capital projects originally programmed for 2010/11. The medium term forecast cannot be completed until further details of the self financing settlement are known but it is anticipated that it will produce additional resources to further improve the longer term viability of the HRA.

* Rent restructuring is a government policy which is bringing all local authority rents in line with those charged by Housing Associations as calculated by a national formula.

Budget Heading	Change in resources
	£'000
Increase in revenue contributions required to fund capital	-937
Net impact of HRA subsidy settlement (see para 4.1 above)	-2,099
Depreciation of dwellings	-140
Increase in rents	905
Other rents and charges increases	60
Increase in estate services & direct costs	-32
Increase in CBH management fee (Agresso implementation & additional post)	-66
Increase in cyclical repairs	-218
Rent rebate subsidy limitation	39
Other (net)	-12
Net reduction in surplus	-2,500

- 4.3** The Housing Repairs Account at Appendix 3 shows reactive spend at the same level as the revised estimate for the current year but includes a growth item of £218,000 to fund additional preventative maintenance programmes including drain clearance and cyclical electrical testing.
- 4.4** Appendix 4 gives details of the progress in rent restructuring to date and illustrates potential rent increases forward to the current convergence date of 2015/16 using an estimated RPI of 2.5% per annum.
- 4.5** Appendix 5 details the proposed average rent for 2011/12 with recommended charges for other services. Gas charges for communal heating schemes will be increased by 7.5% to reflect anticipated fuel increases and there will be a 25% increase towards the rising cost of the electric fuelled scheme at Cumming Court. Provision has been included for a 3% increase in garage rents to reflect both inflation and fund a significant improvement programme in garage sites.

5. Service Charges

- 5.1** The proposed charges for cleaning, grounds maintenance and communal power are currently being finalised. It is anticipated that cleaning charges will increase by 1.7% and grounds maintenance by 10.2% (reflecting the full impact of single status implementation). Changes to the charges for communal power will be block specific dependent on consumption estimates.

6. Cheltenham Borough Homes (CBH)

- 6.1** The budget includes provision for the management fee payable to CBH. The company has submitted its own detailed budget and fee proposal for 2011/12.
- 6.2** CBH budgets for 2011/12 were prepared to achieve a breakeven position based on the assumption of holding fees and charges to the Council at 2010/11 levels. The company reports

that savings of £204,500 will be achieved with a proportion of that sum being re-invested to deliver further efficiencies and improvements to tenant services.

- 6.3** The HRA management fee for 2011/12 is cash frozen except for:-
- One off item of £35,000 to provide for the implementation of an Enterprise Resource Planning (ERP) system as part of the GO shared services programme.
 - A growth bid of £31,500 to fund a new post of Money & Benefits Officer. This follows the confirmation of a significant rent increase in the final subsidy determination and a reduction in the estimate of subsidy payable thus releasing additional resources. The post will assist the delivery of the financial exclusion strategy helping tenants through the impact of spending cuts and controlling the level of rent arrears.

The fee for managing the capital programme is kept cash frozen for a similar range and value of projects in 2011/12.

- 6.4** The overall cost of reactive repairs to the stock is forecast at £2,559,000 being a balance of CBH direct costs and use of sub contractors. CBH has commenced a comprehensive review of the maintenance operation which is expected to produce significant savings from 2012/13 onwards.
- 6.5** There is a reduction in the cost of delivering the estate cleaning contract which arises from savings on the waste disposal of fly tipping.
- 6.6** 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 service charges to tenants and leaseholders). CBH also 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 2010/11.

		2010/11 (Revised)	2011/12
Average Stock		4,597	4,592
		£	£
Management Fee			
- including growth bid	Gross Cost	4,263,700	4,330,200
	Per Unit	927	943
Reactive Repairs	Gross Cost	2,165,700	2,165,700
	Per Unit	471	472
Management of Capital Programme		405,000	405,000
Block Cleaning Service		324,500	310,700
Total		7,158,900	7,211,600

7. HRA Capital Programme

- 7.1** The revised programme for 2010/11 and proposals for 2011/12 are shown at Appendix 6, together with a more detailed schedule of improvement and repair works at Appendix 7.
- 7.2** The revised estimates for the current year reflect changes identified in budget monitoring reports. Estimated spend in year will reduce from £4,482,000 to £3,851,000 primarily due to a later start on the transformational improvements in St Paul's. Works have now started on site and will continue through 2011/12.

7.3 The 2011/12 programme reflects the need to spend identified in the stock condition database and includes provision for works delayed in the current year. This will retain all stock to decency standard and provide further neighbourhood improvements through external works.

8. HRA Capital Receipts

8.1 In February 2008 the Council approved a resolution to use capital receipts from the sale of HRA assets (other than Right to Buy sales), realised in the period to 31st March 2011, to fund affordable housing provision. This has exempted such receipts from pooling regulations which could have resulted in either 50% or 75% of the receipt being paid to Government. The Government has announced that despite the introduction of self financing in April 2012 pooling will continue throughout the period covered by the latest Comprehensive Spending Review. It is therefore recommended that a further resolution be approved to continue the policy of using such receipts to fund investment in affordable housing.

9. Consultation process

9.1 The draft budget proposals approved by Cabinet on 21st December 2010 were endorsed by the Board of Cheltenham Borough Homes Ltd. subject to the growth bid identified in paragraph 6.3. No further comments have been received during the public consultation period.

Report author	<p>Bob Dagger, Assistant Chief Executive, Cheltenham Borough Homes</p> <p>Tel. 01242 264225; e-mail address: bob.dagger@cheltborohomes.org</p> <p>Mark Sheldon, Chief Finance Officer</p> <p>Tel. 01242 264123; e-mail address: mark.sheldon@cheltenham.gov.uk</p>
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. HRA Operating Account 3. Housing Repairs Account and Major Repairs Reserve 4. Rent Restructuring 5. HRA – Rents and Charges 6. HRA Capital Programme 7. HRA works to properties 2011/12
Background information	<p>HRA subsidy determinations received from DCLG, 10th January 2011</p>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	Reform of local authority housing finance	Mark Sheldon	November 2010	4	6	24	Accept	Government has confirmed its intention to scrap the HRA subsidy system and replace it with a self financing alternative by April 2012. Impact remains uncertain until further details are published but initial assessment would indicate that this would be beneficial to the Council.. This will change significantly previous HRA medium and long term forecasts. Progress to be monitored and new HRA Business Plan to be prepared following receipt of Government proposals.	April 2012	Paul Jones	Corporate
2	Supporting People Grant	Mike Redman	November 2010	2	4	8	Accept	Funding for existing contracts currently under review. Should contracts not be renewed then a decision on future service provision would be required.	April 2011	Kath Chamberlain	Divisional
3	Higher than estimated void rent loss	Mike Redman	November 2010	2	1	2	Accept	Demand for social housing remains high with significant waiting list. Current number of void properties at lowest level for many years and CBH are achieving top quartile performance for void re-	March 2012	Kath Chamberlain	Divisional

								letting times. Quality of accommodation needs to be maintained and changes in tenancy termination rates monitored.			
4	Demand for reactive repairs increased	Mike Redman	November 2010	4	2	8	Accept	Having completed the decent homes programmes and refreshed stock condition data CBH can plan more effectively for future maintenance spend. The major peril to the stock is fire which is covered by appropriate insurance. HRA reserves are maintained at a level which is considered sufficient for uninsured stock damage.	March 2012	Kath Chamberlain	Divisional

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	2010/11		2011/12
	Original	Revised	Estimate
	£	£	£
<u>EXPENDITURE</u>			
General & Special Management	1,800,300	1,803,300	1,835,700
ALMO Management Fee	4,263,700	4,263,700	4,330,200
Rents, Rates, Taxes and Other Charges	56,500	39,500	39,900
Transfer to Housing Repairs Account	3,735,000	3,735,000	3,953,000
Provision for Bad Debts	200,000	200,000	200,000
Interest Payable	752,200	576,900	576,900
Depreciation of Dwellings	3,101,300	3,101,300	3,240,900
Depreciation of Other Assets	75,000	78,000	86,000
Debt Management Expenses	46,500	46,500	46,500
Rent Rebate Subsidy Limitation	131,000	122,000	82,600
Housing Revenue Account Subsidy	3,680,400	3,628,400	3,212,100
TOTAL	17,841,900	17,594,600	17,603,800
<u>INCOME</u>			
Dwelling Rents	15,788,600	15,773,000	16,678,000
Non Dwelling Rents	396,400	404,800	421,000
Charges for Services and Facilities	702,300	661,000	705,100
HRA Subsidy - ALMO Allowance	2,515,200	2,515,200	0
Supporting People Grant	150,000	150,000	150,000
TOTAL	19,552,500	19,504,000	17,954,100
NET COST OF SERVICES	-1,710,600	-1,909,400	-350,300
Amortised Premiums / Discounts	8,900	8,900	8,900
Interest Receivable	-66,700	-79,400	-67,400
NET OPERATING INCOME	-1,768,400	-1,979,900	-408,800
<u>Appropriations</u>			
Revenue Contributions to Capital	1,245,700	649,700	1,587,100
Transfer from Major Repairs Reserve	-75,000	-78,000	-86,000
HRA SURPLUS carried to reserve	597,700	1,408,200	-1,092,300
Revenue Reserve brought forward	648,800	1,580,800	2,989,000
Revenue Reserve carried forward	1,246,500	2,989,000	1,896,700
Average Rent:-			
Increase 1st April 2011			5.43%
48 wk	72.45	72.45	76.39
52 wk	66.87	66.88	70.51
Average Stock	4,595	4,597	4,592

HOUSING REPAIRS ACCOUNT

	2010/11		2011/12
	Original	Revised	Estimate
	£	£	£
<u>EXPENDITURE</u>			
Repairs & Maintenance :-			
Reactive Repairs	2,559,000	2,559,000	2,559,000
Annual & Cyclical Maintenance	1,176,000	1,176,000	1,394,000
	3,735,000	3,735,000	3,953,000
<u>INCOME</u>			
Contribution from Housing Revenue Account	3,735,000	3,735,000	3,953,000
Surplus/Deficit for the Year	0	0	0
Balance brought forward	0	0	0
Balance carried forward	0	0	0

MAJOR REPAIRS RESERVE

	2010/11		2011/12
	Original	Revised	Estimate
	£	£	£
Balance brought forward	0	0	0
Major Repairs Allowance	3,101,300	3,101,300	3,240,900
	3,101,300	3,101,300	3,240,900
Utilised in Year (Funding Capital Programme App 6)	-3,101,300	-3,101,300	-3,240,900
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 2015/16. 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
2010-2011	67.91		66.22	63.61	66.88	
2011-2012	71.37	5.1	69.95	67.76	70.51	5.4
2012-2013	73.51	3.0	72.41	70.72	72.85	3.3
2013-2014	75.72	3.0	74.96	73.80	75.27	3.3
2014-2015	77.99	3.0	77.60	77.00	77.76	3.3
2015-2016	80.33	3.0	80.33	80.33	80.33	3.3

HOUSING REVENUE ACCOUNT - RENTS & CHARGES

	2010/11	2011/12
	£	£
Dwelling Rents (average)		
48 wk basis	72.45	76.39
52 wk basis	66.88	70.51
Garages (per month)	24.50	25.24
Communal Heating Schemes (52 wk basis)		
Gas		
1 person flat	6.68	7.18
2 person flat	9.00	9.68
Cumming Court		
1 person flat	3.02	3.78
2 person flat	4.16	5.20
Guest Bedrooms (per night)	9.00	10.00

HRA CAPITAL PROGRAMME

	2010/11		2011/12
	Original	Revised	Estimate
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>EXPENDITURE</u>			
Property Improvements & Major Repairs (incl fees)	4,022	3,391	4,368
Adaptations for the Disabled	350	350	350
Environmental Works (Tenant Selection)	60	60	60
Repurchase of Shared Ownership Dwellings	50	50	50
	<u>4,482</u>	<u>3,851</u>	<u>4,828</u>
<u>FINANCING</u>			
Government Grant (Cavity Wall Insulation)	85		
Capital Receipts	50	100	
HRA Revenue Contribution	1,246	650	1,587
Major Repairs Reserve	3,101	3,101	3,241
	<u>4,482</u>	<u>3,851</u>	<u>4,828</u>

HRA WORKS TO PROPERTIES 2011/12	
COST HEADING	2011/12 BUDGET
	£
INTERNAL IMPROVEMENTS	400,000
INSULATION	25,000
WORKS TO BUILDING FABRIC	393,000
RENEWAL OF WATER MAINS	100,000
RENEWAL OF HEATING SYSTEMS	100,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	350,000
WINDOWS & DOORS	100,000
ASBESTOS	100,000
SHELTERED ACCOMMODATION	50,000
NEIGHBOURHOOD WORKS	430,000
DOOR ENTRY SCHEMES	200,000
STRUCTURAL/DAMP WORKS	100,000
CARBON MONOXIDE DETECTORS	25,000
FIRE PROTECTION	50,000
AUTOMATIC DOOR OPENERS	80,000
ELECTRIC SCOOTER HOUSING	60,000
ST PAULS TRANSFORMATIONAL IMPS	1,250,000
GARAGE IMPROVEMENTS	100,000
ELECTRIC SUB MAINS	50,000
FEE FOR MANAGING PROGRAMME	405,000
TOTAL BUDGET	4,368,000

Cheltenham Borough Council

Cabinet – 8 February 2011

Council - 11 February 2011

Treasury Management Strategy Statement and Annual Investment Strategy 2011/12

Accountable member	Finance & Community Development , John Webster
Accountable officer	Chief Finance Officer, Mark Sheldon
Accountable scrutiny committee	Economy & Business Improvement
Ward(s) affected	None
Key Decision	No
Executive summary	In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management in the public services. To comply with the code, the Council has a responsibility to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy for council approval prior to the start of a new financial year.
Recommendations	<p>Cabinet recommend to Council the approval of the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2011/12 at Appendix 2 including :</p> <ul style="list-style-type: none"> • The general policy objective ‘that Council should invest prudently the surplus funds held on behalf of the community giving priority to security and liquidity’. • That the Prudential Indicators for 2011/12 including the authorised limit as the statutory affordable borrowing limit determined under Section 3 (1) Local Government Act 2003 be approved. • Additions to the Council’s lending list are proposed in order to provide some further capacity. These proposals have been put forward after taken advice from the Council’s treasury management advisers and are prudent enough to ensure the credit quality of the Council’s investment portfolio remains high. • To increase the time period of investing up to two years with counterparties noted in the recommended lending list. • For 2011/12 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 3.

Financial implications	All financial implications are noted in the report. Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk, 01242 264337
Legal implications	As detailed in the report. Contact officer: Nicolas Wheatley nicolas.wheatley@tewkesbury.gov.uk, 01684 272695
HR implications (including learning and organisational development)	None arising directly from this report. Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355
Key risks	As noted in Appendix 1.
Corporate and community plan Implications	The purpose of the strategy is to improve corporate governance, a key objective for the Council.
Environmental and climate change implications	None arising directly from this report.

1. Background

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

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

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

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

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

1.4 The local authorities (Capital Finance and Accounting) (England) Regulations 2003, which came into force on 1st April 2004, include provisions relevant to investments. These regulations, together with amendments subsequently made to them (S.I No.534), determine the nature of specific investments, and how they should be treated/accounted for by a local authority. Formal guidance was revised and issued by the Communities and Local Government (CLG) in 2010.

1.5 The Treasury Management Strategy Statement and Annual Investment Strategy at Appendix 2, state the overriding principles and objectives governing treasury management activity. As an integral part of that Statement, the Council includes the preparation of Treasury Management Practices which set out the manner in which the Council will achieve those principles and objectives prescribing how it will manage and control those activities.

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

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

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

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

2.0 Icelandic Banks

2.1 The council has been actively pursuing the deposits from the three Icelandic owned banks, Glitnir, Landsbanki and Kaupthing Singer and Friedlander (KSF). The situation with both Glitnir and Landsbanki is that the council’s legal advisors have now filed written submissions with the Icelandic courts with regards to the deposits made in 2006, and court hearings are due to take place in early-spring 2011. As regards to KSF we have received £1.628m back to date which amounts to 53p in the pound. The latest information we have indicates a recovery rate in the range of 75p to 84p in the pound.

3.0 Consultation

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

3.2 The strategy was approved by the Treasury Management Panel at its meeting on 27th January 2011.

Report author	Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk 01242 264123
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Treasury Management Strategy Statement and Annual Investment Strategy for 2011/12 3. Annual MRP Statement
Background information	<p>Section 15(1)(a) of the Local Government Act 2003</p> <p>Cheltenham Borough Council Treasury Management Practices</p>

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HRA-1	Reform of local authority housing finance	Director for Resources Mark Sheldon	November 2010	4	6	24	Accept	Government has confirmed its intention to scrap the HRA subsidy system and replace it with a self financing alternative by April 2012. Impact remains uncertain until further details are published but initial assessment would be beneficial to the Council. This will change significantly previous HRA medium and long term forecasts. Progress to be monitored and new HRA Business Plan to be prepared following receipt of Government proposals.	April 2012	Paul Jones	
	To increase the duration of investments for up to two years Associated risks are Regulatory, Liquidity & Interest Risk.	Director for Resources Mark Sheldon	27 th January 2011				Accept	Arlingclose Ltd, the council's treasury advisors view the associated risks to be a fair trade off for some of the potential returns available for lending beyond one year.		Section 151 Officer Mark Sheldon	
	Regulatory Risk- Economists are commenting that the British banking sector could become stronger if the retail, commercial and investment portions of the banks were to be sold off. Where would our deposits reside if this occurred.	Director for Resources Mark Sheldon	27 th January 2011	2	4	8		If the banks were to be split up, it would take a number of months/years before it came into force.	December 2011		
	With liquidity risk – if we have 'run on a bank' we could face a longer time to wait to get our investments back	Director for Resources Mark Sheldon	27 th January 2011	3	3	9		The banks on our approved counter party list are all deemed to be systemically important to our sovereign country	December 2011		

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TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

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 9). 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 2011/12 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 2011/12 to 2013/14

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'.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

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 2010/11 – 2013/14

3.1.1 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.

3.1.2 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.

3.1.3 The actual capital expenditure that was incurred in 2009/10 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	2009/10 £000 Actual	2010/11 £000 Revised	2011/12 £000 Estimate	2012/13 £000 Estimate	2013/14 £000 Estimate
General Fund	2,136	3,254	7,641	4,956	1,056
HRA	4,314	3,851	4,828	3,800	4,000
Total	6,450	7,105	12,469	8,756	5,056

3.1.4 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.

3.1.5 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2009/10 are:

Ratio of Financing Costs to Net Revenue Stream					
	2009/10 Actual %	2010/11 Revised %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Non-HRA	3.03%	3.77%	4.81%	5.07%	4.52%
HRA	2.55%	2.67%	2.67%	3.64%	3.60%

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

3.1.6 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.

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

3.1.8 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 2010 are:

Capital Financing Requirement (CFR)					
	31/3/10 £000 Actual	31/3/11 £000 Revised	31/3/12 £000 Estimate	31/3/13 £000 Estimate	31/3/14 £000 Estimate
Non-HRA	26,709	25,834	28,818	31,118	30,534
HRA	18,728	18,728	18,728	18,728	18,728
Total CFR	45,437	44,562	47,546	49,846	49,262

The move to International Financial Reporting Standards (IFRS) from 1 April 2010 may in future have implications for the capital expenditure and Capital Financing Requirement (CFR) indicators. This is because under IFRS all leases have to be reassessed and classified either as 'finance' or 'operating' leases. Under IFRS, finance leases in effect count as capital expenditure funded by borrowing, whereas operating leases are rental agreements, which do not affect the indicators.

Following an analysis of the council's leases at 1 April 2010, all have been classified as operating leases. However if the wheeled bins, caddies, recycling and other vehicles to be bought in 2010/11 are leased, they are likely to be classified as finance leases, counting as capital expenditure and borrowing. Given the accounting treatment of finance leases is now in effect the same as if the council undertook prudential borrowing, an assessment of the funding options for these assets is currently being undertaken.

If the assets are leased under a finance lease or if the council borrows to fund the assets, the forecast capital expenditure and CFR for 2010/11 will increase by the cost of these assets and the prudential indicators will need to be revised for future years. This will be reported as part of the Treasury Management and Revenue Outturn reports in June 2011.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

3.1.9 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."

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

3.1.11 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	2009/10 £000 Actual	2010/11 £000 Revised	2011/12 £000 Estimate	2012/13 £000 Estimate	2013/14 £000 Estimate
Gross borrowing	51,997	57,013	60,612	63,512	61,512
Investments	16,557	15,535	15,535	15,535	13,535
Net (Investment) / borrowing	35,440	41,478	45,077	47,977	47,977
Capital financing requirement	45,437	44,562	47,546	49,846	49,262

3.1.12 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.

3.1.13 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.

3.1.14 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:

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

For the Band D Council Tax –

2011/12	2012/13	2013/14
£Nil*	£Nil	£Nil

* As a proposed Council Tax freeze for 2011/12.

For average weekly housing rents

2011/12	2012/13	2013/14
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 Section 151 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				
	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000
Borrowing	83,000	81,000	80,000	79,000
Other long term liabilities	-	-	-	-
Total	83,000	81,000	80,000	79,000

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

- 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 2011/12 to 2013/14 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 2011/12 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 Section 151 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				
	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £'000
Borrowing	67,000	71,000	74,000	72,000
Other long term liabilities	-	-	-	-
Total	67,000	71,000	74,000	72,000

- 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.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

3.2.8 The Council's actual external debt at 31st March 2010 was £51.997 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 2011/12, 2012/13 and 2013/14 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 2011/12, 2012/13 and 2013/14 of 100% of its gross outstanding borrowing.
- 3.3.4 This means the Section 151 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

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

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

4. Current Portfolio Position

The Council's treasury debt portfolio position at 31st December 2010 comprised:

		Principal		Ave. rate
		£m		%
Fixed rate borrowing	PWLB	11.0		4.78
	Market	<u>15.9</u>	26.9	4.00
Variable rate borrowing	PWLB	0		
	Market	<u>0</u>		
Temporary Borrowing			8.0	0.56
TOTAL DEBT			<u>34.9m</u>	3.46
TOTAL INVESTMENTS			19.4m	3.06

5. Outlook for Interest Rates

- 5.1 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 2nd/ or 3rd quarter of 2011. Short – term money market rates will continue to pay at very low levels. This impact on investment income has been factored into 2011/12 investment budgets.

The recently announced Basel III capital/liquidity rules are positive for banks. However, the restructuring of UK bank balance sheets is ongoing and is expected to take a long time to complete, and is a pre-condition for eventual normalization of credit conditions and bank lending.

- 5.2 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.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

The following table gives Arlingclose Ltd view:

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Official Bank Rate													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.50	2.75	3.00	3.00	3.00	3.00
Downside risk	-	-	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
1-yr LIBID													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.65	1.90	2.15	2.40	2.50	2.50	2.75	3.00	3.25	3.50	3.50	3.50	3.50
Downside risk	- 0.25	- 0.25	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
5-yr gilt													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	2.75	3.00	3.25	3.50	3.75	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.00
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 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	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.90	4.00	4.10	4.25	4.50	4.75	4.75	4.75	4.75	4.75	5.00	5.00	4.75
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 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	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	4.50	4.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.25	5.25	5.00
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 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	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	4.25	4.50	4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.50	4.75	4.75	4.50
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25

5.3 Outlook for the Economy

Credit - The availability of credit is still expected to remain restricted as banks address their balance sheets, particularly as banks change their lending behaviour and lower their lending risk. Also the uncertainty surrounding Eurozone sovereign debt will remain a driver of global credit market sentiment.

Growth – The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank of England will stick to its lower for longer stance on policy rates. Consumer Price Inflation (CPI) has risen to 3.7% driven largely by energy and transport prices and could peak at over 4% in the first quarter of 2011 with the impact of the VAT increase. CPI will remain high for the rest of the year and February's Inflation Report could be a key indicator to the timing and aggressiveness of interest rates.

Labour Market – employment outlook remains uncertain, as unemployment remains near a sixteen year high at just over 2.5 million as is set to increase as the Public Sector shrinks. Pay freezes and job losses will continue into 2011.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012**6. 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 Ltd 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.

7. 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.

Any rescheduling activity will be undertaken following the rationale within the Council's Treasury Management Strategy. The Section 151 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.

ANNUAL INVESTMENT STRATEGY**8. Investment Policy**

The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") issued in March 2010 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.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

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) <ul style="list-style-type: none"> 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 and cover deposit periods over one year. To protect against a lower for longer prolonged period of low interest rates and to provide certainty of income, two year deposits will be actively considered within the limits the Council has set for its specified and non-specified investments. Arlingclose Ltd, the council’s treasury advisors have been consulted with this change and have endorsed the extension of investments with UK Banks and Building Societies.

9. 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 is seeking to extend lending to a maximum of 2 years and with only the institutions listed in the Councils approved lending list. There is one organisation which the Council could lend up to 3 years (Gloucestershire Airport Company), which the Council owns a 50% share in.

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

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 Section 151 Officer which includes those counterparties which meet the minimum criteria for lending. The Council will use Fitch, Moody's and Standard and Poor ratings to derive its criteria for lending. CIPFA suggests using the lowest rating from all three of the agencies to determine creditworthy counterparties, plus additional market information. 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.

S&P 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.

A-1+ - Indicates the strongest capacity for timely payment of short term financial commitments.

The Council is alerted to changes in Fitch, Moody's and Standard & Poor'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

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

TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2011/2012

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	S&P	Fitch	Moody's	S&P		
Bank of Scotland (Lloyds Banking group)	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years
Barclays Bank plc	GB	AA-	Aa3	AA-	F1+	P-1	A-1+	7,000,000	2 Years
Clydesdale Bank	GB	AA-	A1	A+	F1+	P-1	A-1+	7,000,000	1 Year
HSBC Bank plc	GB	AA	Aa2	AA	F1+	P-1	A-1+	7,000,000	2 Years
Lloyds TSB (Lloyds Banking Group)	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years
Nat West Bank (RBS Group)	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years
Royal Bank of Scotland (RBS Group)	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years
Standard Chartered Bank	GB	AA-	A1	A+	F1+	P-1	A-1	7,000,000	1 Year
Santander UK PLC	GB	AA-	Aa3	AA	F1+	P-1	A-1+	4,000,000	6 months
BUILDING SOCIETIES	COUNTRY	LONG TERM			SHORT TERM			LIMIT £	TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P		
Nationwide	GB	AA-	Aa3	A+	F1+	P-1	A-1	7,000,000	2 Years

GOVT & LOCAL GOVERNMENT	COUNTRY	LONG TERM			SHORT TERM			LIMIT £	TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P		
Debt management account	GB	N/A	N/A	N/A	N/A	N/A	N/A	unlimited	6 Months
UK local authorities	GB	N/A	N/A	N/A	N/A	N/A	N/A	5,000,000	1 Year
Cheltenham Festivals	GB	N/A	N/A	N/A	N/A	N/A	N/A	100,000	1 Year

OTHER	COUNTRY	LONG TERM			SHORT TERM			LIMIT £	TIME
		Fitch	Moody's	S&P	Fitch	Moody's	S&P		
Gloucestershire Airport	GB	N/A	N/A	N/A	N/A	N/A	N/A	1,550,000	3 Years
Gloucestershire Everyman Theatre	GB	N/A	N/A	N/A	N/A	N/A	N/A	1,000,000	2 Years
Cheltenham Borough Homes	GB	N/A	N/A	N/A	N/A	N/A	N/A	5,000,000	2 Years

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 2011/12

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 2011/2012**10. 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 and 2010, leaving deposits of £9.41m still to be repaid. The likely recovery rates or timescales for future repayments is still unknown at this time.

11. Annual Minimum Revenue Provision (MRP) Statement

The annual MRP Statement is disclosed in Appendix 3.

12. Reform to the Council Housing Subsidy System

The government has confirmed its intention to scrap the HRA Subsidy System and replace it with a self financing alternative. Details of the new system will be announced following the recent Comprehensive Spending Review, and will be introduced in the Localism Bill later this autumn to enable the new system to start in 2012.

This will require the Council to fund the amount owed in the medium term through external borrowing or the use of internal resources. The Council will have the option to borrow from the PWLB or the market. The type of loans taken will be decided on in discussions with the Housing department and Arlingclose Ltd, the Council's treasury advisors.

13. Reporting on the Treasury Outturn

The Section 151 Officer will report to Council on its treasury management activities and performance against the strategy at least twice a year, one at mid year 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 Section 151 Officer to ensure that all appropriate staff and 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. Training requirements will be identified and any shortfalls will be met by Arlingclose Ltd or other organisations.

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 £0.407m for 2011/12.

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 2011/12.

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 £0.209m for 2011/12.

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 2011/12

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 2011/12:

21. It is proposed that for 2011/12 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	