

**BUDGET PRESENTATION BY THE CABINET MEMBER FOR FINANCE,  
COUNCILLOR JOHN RAWSON, 13<sup>th</sup> FEBRUARY 2015**

Mr Mayor,

I have great pleasure in presenting the revised budget for 2014/15 and the final budget proposals for 2015/16.

Groucho Marx once defined a budget as 'a way of going broke methodically'. I don't believe this is the case with this budget or any others that I have presented to this Council. I don't believe budgets have to be bad news, even in a difficult financial climate. Even at a time of shrinking resources we can find ways to do things better. In fact, a budget can be a whole series of positive things - a problem-solver, a dialogue, an enabler, a steward and a springboard. This budget is all of these things.

Let's start by putting the scale of the challenge we face in context. In the last seven years, the Council's net budget has fallen in cash terms by about 12 per cent, from £16.1 million to £14.2 million. If you factor in inflation, our actual spending power has been cut by about thirty per cent.

Much of this has been caused by a series of cuts in our Government revenue support grant amounting to around £5 million, more than half the total grant, between 2009 and the present time. This includes a cut of £810,000 in the coming financial year.

We all understand the difficult economic climate we are looking at and the circumstances that have brought us to this unhappy situation.

Nonetheless, just think what could have happened if we had simply succumbed to despair and reacted by cutting frontline services. The result would have been a bloodbath. Most of our cultural and leisure services would have got the chop. Maybe we would have had to close down our community services and our support for the town's thriving voluntary organisations. Maybe we would have had to mothball important services like the recycling centre. But we didn't do that. We didn't give up on the town. We didn't abandon our vision of a prosperous, vibrant Cheltenham. Instead we straightened our slopey shoulders and tried to find positive ways forward.

We explored the potential for reorganising services, as an alternative to cutting them. We saw the opportunities for delivering services in a different way. We slimmed down senior management, shared our services with neighbouring councils and set up the Cheltenham Trust to run our leisure and culture services. The result is that we found around £8.5m a year of savings and additional income by 2014/15 with remarkably little impact on services to the public.

One of the main drivers for these savings has been commissioning and especially shared services. Let me give you an idea of how important these have been

Savings from commissioning now total £2.634m a year, which will add up to a total of £13.5m by 2018/19.

Of that, the saving from shared services totals £1.76m annually, which if the Council maintains the current shared services will add up a total of £12.6m by 2018/9.

Truly necessity is the mother of invention. What's more the service-sharing has not just saved money. It have made our services more resilient and given us access to a bigger pool of talent and expertise.

At the heart of this process is what we call our Bridging the Gap programme and our Medium Term Financial Strategy which creates a five year rolling work plan to find savings by restructuring the organisation. In this budget that process continues, with a further £693,000 of new efficiency savings set out at appendix 5.

They include further savings from restructuring senior management, new savings from shared services including the expansion of Ubico, and procurement savings achieved through GO Shared Services. We will deliver £284,000 of savings as a result of creating the Cheltenham Trust.

In the coming years we have the opportunity to develop shared services further across four district councils through the 2020 Vision programme, to which the Government has contributed £3.8 million to match our local investment.

However, shared services and arms length companies are not the only strings to our bow. We are also undertaking a radical in-house restructuring of our Environmental and Regulatory Services through the REST programme, which engages staff, including front-line staff, in the process of reshaping their services to make them more streamlined, more seamless, more efficient and more customer-focused. This is one of the most exciting innovations of the past year, and all the more vital because our environmental services are so important to the town.

I have explained that over the past five years we have experienced an unprecedented squeeze on our finances. But I don't want to give the impression that the situation is uniformly grim. Indeed in the past year we do seem to have caught a break. Two of the Government's policies do seem to be working in our favour. The first is the Government's policy of sharing business rates revenue with local government. The second is New Homes Bonus, a payment that is made over six years for new homes that are built and empty homes that are brought back into occupation.

Let's not get too excited about business rates. The Government is collecting about £55 million in business rates this year in Cheltenham and giving us back the princely sum of £3.3 million. Nonetheless this modest share of rates income helps us to claw back some of the money we are losing in revenue grant income.

Members will know that we have done all we possibly can to retain as big a share of business rates as possible. The Gloucestershire Business Rates Pool that we are part of has helped us reduce the levy which the Government charges us as a relatively affluent district from 50% to 19%.

But the implications of the Government's rates-sharing policy go wider than this. It has suddenly created a new dynamic in budget-making, giving us a direct financial interest in maximizing business growth and therefore maximizing our business rates income. This is a huge opportunity and we are determined to make the most of it.

That is one important reason why we are promoting and supporting economic development in the town, especially through the Cheltenham Development Taskforce. We are seeking to regenerate empty and derelict sites and generally encourage investment in the town.

It is also why we have been actively involved in developing the Gloucestershire Strategic Economic Plan and why we are now about to launch an updated Cheltenham Economic Strategy to replace the current 2007-17 version. This strategy provides the local detail which will inform the preparation of the Cheltenham Plan and help to deliver economic growth.

Cyber-security has been identified by the Government as a key area of economic growth. Among the proposals in the new Economic Strategy is that the Council should seek to develop a cyber-security business initiative. Part of this approach could be to identify a Cheltenham as a cyber security town or designate an area of Cheltenham as a Cyber Security zone. This along with the opportunity to create new employment land allocations and Local Development Orders could be powerful tools to prompt investment and generate additional economic growth.

Our desire to secure economic growth is also the reason why, along with the business community, we are investigating the feasibility of creating a Business Improvement District in the town centre. Following the recent retirement of the town centre manager, we are also reviewing the future of the replacement post funded by the Business Partnership to see whether it can play a bigger role in promoting business growth.

Already the local economy is in a very healthy state and this is making a direct impact on our finances. In the coming year, we expect our net surplus on business rates baseline funding to be £682,000. That is an improvement of £340,000 on the position we predicted in the consultative budget. And the work we and the Taskforce are doing,

alongside the local business community, is bearing fruit for the future. The town is abuzz with redevelopment and business growth

The other growth factor that I have already mentioned is the New Homes Bonus. Our income from New Homes Bonus in 2015-16 is just over £1.6 million. This helps us to claw back some of the money we have lost in Government grant.

However, I would add one word of caution. Both the business rates income and the New Homes Bonus need to be treated with some reservation as sources of income. Both, as the old phrase has it, can go down as well as up. From year to year, there may be fluctuations, maybe quite large ones, in both sources of income. What's more, with a general election in the offing, there is no guarantee that there will not be major changes in the way these schemes work, including redistribution of the income or top-slicing of the money we receive. With all the political uncertainties ahead of us, I would say very seriously to the Council that this is not the time for splashing the cash or taking unnecessary risks.

That's why I am proposing that the additional income from these sources, even if it appears to be sustainable, should not all be put into the revenue budget. A proportion of both should be used for one off or temporary funding purposes which do not create a long-term commitment. I am thinking particularly of the money I am proposing to put into the Local Plan reserve from Business Rates income; and the money I am proposing to put into match-funding the 2020 Vision work from New Homes Bonus.

In all, about 65 per cent of our New Homes Bonus will be used to support the revenue budget and about 35 per cent will be used for one-off spending. This is a prudent approach, and I am glad it was supported by the cross-party Budget Scrutiny Working Group.

Mr Mayor, by fighting our budget battle on two fronts – saving money and maximizing income – we have brought in a balanced budget this year. And we have done it with without piling new financial burdens on the residents of Cheltenham.

Recognising that many of our residents have been struggling financially since the economic downturn, we have held the borough council's share of council tax at its 2010 level, freezing council tax for four budgets running. And recognizing that the economic recovery was fragile, we also maintained a four-year freeze on off-street parking charges.

What I am proposing today in this budget is that we should continue to freeze both council tax and car park charges for a fifth year. There will also be no increase in the charge for our Lifeline alarm service for vulnerable people. For business reasons there will also be no increase in building control fees.

At the same time, this Council will continue to provide the same level of council tax support for people on very low incomes who are unable to pay the full amount. Members will recall that in 2012 the Government cut its contribution to this Council's council tax support by 9 per cent. We have absorbed this cut for three years running and intend to continue doing so until at least 2017. This makes us one of only 45 out of 326 local authorities still paying council tax support at the same level as it was before the Government cutback.

The Council also awards business rate relief up to £1,000 to occupied retail properties with a rateable value of £50,000 or less. This will rise to £1,500 per property during 2015/16. This is of course part of a Government sponsored and funded scheme, but we are particularly active in encouraging businesses to take it up. The business rates team identify businesses that might qualify and send out the appropriate application form so that as many local businesses as possible can benefit. As a result, we have awarded almost £420,000 worth of business rates relief to about 500 businesses in the current financial year. We estimate that we will be giving a further £650,000 of relief in 2015/2016, making a total of £1.1 million over 2 years.

I have set out this budget's role as a problem-solver. What I want to do now is outline how this cabinet has used it to have a dialogue with the people of Cheltenham.

It's usually quite difficult to get people to engage in public consultation on the budget, because provided you are not doing anything to annoy them, they are content for you to get on with it. But am pleased to say that this year we have put some extra welly into our consultation process. This was enormously helped by the fact that the emerging capital strategy caught people's attention; and I am grateful to the Echo for highlighting the potential options for investing in the town.

As a result, 222 people filled in our questionnaire or dozens more sent in their comments. The Civic Society had a meeting to discuss the capital programme and put forward a collective submission. There were also representations from a number of other local organisations such as the Playhouse Theatre, the Holst Museum and the Honourable Company of Gloucestershire. We held our own consultation forum here in the Municipal Offices which led to a lively but very positive exchange of views. Today I have had a request for a meeting from the Montpellier Traders and I will be meeting them with regard to the capital strategy and any other matters they want to raise.

In addition, I gave informal presentations to the Voluntary and Community Forum, the C5 Group of parish councils and the Chamber of Commerce to obtain their views on what we are proposing.

Perhaps most interesting of all was a session Cllr Coleman held with about 60 children at St Mark's Primary School, who showed they care about the town just as much as the adults. Maybe we should do this at more local schools in the future.

I am proud to live in a town that its people care about so much. The results of the consultation are either appended to the budget papers or available in the members' room.

But what struck me most of all was how positive people are about our budget strategy. 72 per cent of those who answered supported the council tax freeze. 65 per cent broadly supported the savings we are making. And a stonking 86 per cent supported our shared services approach. It is interesting that only 9 cent of those who answered the tax question wanted a cut in council tax.

There is also a broad consensus across individuals and organisations about the investment they would like to see, with public realm improvements, improvements to the Town Hall and investment in sports and leisure being well up the list. Obviously people have their concerns about roads and pavements, street cleaning, street lighting and other basic services, but everywhere I find enthusiasm for our town.

The feedback to the consultation will help to shape our policy and especially our emerging capital strategy.

But the point I want to make most strongly to you is that the dialogue between the Council and the people in the town is a continuing feature of our lives and doesn't just happen at budget time.

One local resident who deserves our thanks is Mr Rogers of Priory Street who highlighted the unsatisfactory state of the bus station in Royal Well by writing to you, Mr Mayor, and contacting the Echo. You passed Mr Rogers' letter to me, I raised the issue with the Asset Management Working Group, and as a result I have included £50,000 for improving the bus station in today's budget proposals. This decision has been influenced by the fact that improving the bus station on its present location was very warmly supported in the budget consultation questionnaire. What we have in mind is to demolish the old shelter and waiting room, replace them with a modern shelter, and provide services to supply a new café facility.

I would also like to thank the Urban Gulls Focus Group for highlighting the continuing problem of noise, nuisance and damage from urban gulls and proposing practical solutions. As a result I have included additional money in the budget so that we can take new measures to control the gull population. This will include an egg replacement programme, replacing the unsatisfactory egg oiling that we have carried out up to now, and a publicity campaign directed at the businesses and residents most affected by the problem.

We have also responded to a request from the Civic Society for a modest grant towards the increasingly successful Heritage Open Days, and to the Host Birthplace Museum for

a modest increase in the very small grant we give them for providing a significant tourist attraction and looking after some of our historic collections.

Following the debate we had in Council last July about badger vaccination, I have received a request for money from the Badger Vaccination Group Gloucestershire for a grant to carry out vaccinations in the Cheltenham area. I am not sure that this complies fully with the terms of the Council's resolution, which envisaged us match-funding a vaccination programme rather than being the sole funder. However, I will be bringing a report to Cabinet so that they can give the matter further consideration.

Mr Mayor, earlier I spoke about the budget being an enabler and I want to explain what I mean by this. There are a number of ways in which this budget is allowing new initiatives to be taken and improvements to be made in the life of the town.

Firstly, this budget allocates a further £50,000 to the Community Pride scheme, which allows community groups to bid for money for small-scale improvement schemes. Community Pride has enabled local amenity groups and parish councils to do a range of good work since we introduced it in 2009 and I am delighted that we are able to continue it.

Secondly I am proposing that we extend our existing contract with the Cheltenham Housing Aid Centre to provide an outreach programme for people with serious and complex housing needs for three more years. This programme has been delivering very good results for some very vulnerable people since we introduced it three years ago. In the first year for which we have full data, 10 out of 12 rough sleepers secured accommodation, and a further 6 out of 11 households with complex needs were helped to stay in their homes. In the second year, 16 out of 21 rough sleepers secured accommodation and a further 9 out of 10 households with complex needs were helped to stay in their homes. That is why the cabinet feels this contract is value for money at £22,000 a year.

Thirdly I am proposing that we set aside £60,000 annually towards the costs of completing the Joint Core Strategy and a one-off £100,000 towards the costs of preparing the Cheltenham Local Plan. We all care about the character and the quality of life in Cheltenham, as do many thousands of our fellow citizens, and we know that the JCS and the Local Plan are vital weapons in defending and protecting what we love about our town. That's because, since the National Planning Policy Framework was introduced in 2012, we have lived under a plan-led planning system. In other words, it's a system with a strong presumption in favour of permitting any development that is not expressly limited or prevented by explicit planning policies.

We need to make all the progress we can to put up-to-date planning policies in place as soon as possible, and not only for environmental reasons. The Local Plan is a really good opportunity to capitalise on the market signals shown in the new Economic

Strategy and enhance the economic base of the town. To do this we need to match the contributions of the other participating councils to the JCS process. We also need to replenish the Local Plan reserve. Although much of the evidence base for the Local Plan will be built in-house, many pieces of specialist work will need to be bought in, such as a biodiversity audit, an AONB boundary analysis and landscape character assessments to protect the settings of historic buildings. That is why this new £100,000 allocation I am proposing is so critical.

I would also like to refer to the War Memorial Restoration Scheme, for which the Council allocated £100,000 from underspends last July. This project is now going ahead thanks to the hard work of officers and partner organisations. In the next few days, we hope to appoint a conservator to carry out a detailed appraisal of the work that is necessary. I and officers met a representative of the Heritage Lottery Fund recently and we plan to submit a first stage grant application to the Fund in May. This is a project that has generated a huge amount of interest and support in the town, among people of all ages and backgrounds.

Mr Mayor, earlier I spoke of the budget as an exercise in stewardship. Prudence, security and sustainability are all at the heart of what this budget seeks to deliver.

Part of the budget papers coming before you today is a revised Treasury Management Strategy Statement and Annual Investment Strategy. This document makes a clear statement on page 1 that the Council's overriding priorities in investing funds are security and liquidity. It also makes very clear that we are operating well within our prudential indicators. These policies are a firm foundation for sound management of our investments and borrowing.

Nor are we making any rash assumptions about interest rates rising. When it happens it is likely to be a slow and faltering process and therefore we have not factored it into our budget calculations.

While I am on the subject of stewardship, can I also mention reserves. Last year I proposed that we should set up three new reserves, for the Leisure and Culture Trust, for parking income, and for business rates income. . The business rates reserve has been depleted but I am proposing that we replenish it with a contribution of £100,000. Overall, reserves remain healthy. The General Reserve remains within the £1.5 to £2 million band that we have previously decided is our optimum level.

Can I also say a word about pensions, which are a huge cost to the Council. It is vitally important that we provide for our future pension costs, following the triennial revaluation which took place last year. Consequently I am proposing that we increase our contributions to the Pension Fund by £406,000 a year for each of the next three years. This is a very large sum of money, but there really is no other prudent course of action.



Finally let me turn to the importance I believe this budget can have as a springboard to progress in the town, to new development, to new investment, and to a better future for Cheltenham.

Let me start with economic development and remind members why the Cheltenham Development Taskforce was set up six years ago. We did it because we realised that political bickering had been holding back our economic progress. It was because we realised that to advance the long term development of the town, we needed political consensus, not chopping and changing every time political control of the Council changed hands. We set up the Taskforce to bring politicians of both political parties together with the business community to find a way forward.

That strategy worked well. It enabled us to agree a redevelopment scheme for the North Place and Portland Street sites and to sell those sites for a very good price, after nearly 30 years of failure. It was also a catalyst for many other developments in the town which are being announced on an almost daily basis. Cast your eyes to the skyline and you will see cranes progressing the sites at Albion Street, Honeybourne Gate and by the end of this month at Brewery phase 2.

The council minutes record that the deal with Augur Buchler on the North Place/Portland Street sites was approved unanimously by the Council on 10<sup>th</sup> October 2011. The whole project seemed set fair until Morrisons announced that they wanted to withdraw from the scheme last month.

This is a setback but it is not a crisis. It is important for me to make three crucial points. Firstly, we received the full capital amount from the sale of the North Place and Portland Street sites over a year ago. Secondly, we are not involved in any legal dispute with either Augur Buchler or Morrisons. Thirdly, the progress towards developing the North Place site will continue. You don't abandon a journey because one of the passengers, in this case Morrisons, gets off the bus.

As a Council and as a Taskforce, we will work with Augur Buchler as the owners of the North Place site to get a viable and successful development. This is the best way we can deliver the public car park that was part of the deal. North Place is a hugely desirable development site right in the centre of Cheltenham and already companies are taking an interest.

We recognize that it is likely to take longer to bring the development to fruition because of Morrisons' withdrawal. But we are already working hard to help achieve that goal.

In doing this, it is important that we strengthen confidence in Cheltenham as a place where people can invest.

So I was shocked and deeply troubled when Mr Alex Chalk took advantage of the Morrisons setback to launch a nasty and wholly destructive attack on the economic prospects for the town. I am talking about his Echo column on 29<sup>th</sup> January. Instead of building Cheltenham up, he ran it down. He talked of Cheltenham being in neutral, when he should know that many of our local businesses are growing and making tremendous progress. He talked of a malaise affecting Cheltenham, when he should be well aware of the massive amount of investment currently going on in the town.

The fact that Cheltenham's economy is in relatively robust shape is supported by economic data from sources such as Oxford Economics, Cambridge Econometrics and Experian which show strong jobs growth at around 500 jobs per annum, a strong rate of business growth and higher business survival rates than average.

Despite all this, Mr Chalk's comments seemed designed to put businesses off investing in our town just to prove a political point. It's an utterly disgraceful and contemptible way for a local political leader to behave.

I am old enough and broad-minded enough to have known generations of Conservative leaders in this town. Sir Charles Irving and May Dent, both of them good friends of mine; John Todman; and most recently Rob Garnham. They knew Cheltenham and loved what they knew. They would never have put party political advantage ahead of the interests of the town. But that is what Mr Chalk is doing.

Let us hope that when Mr Chalk has gone back to Shepherds Bush we can get past this unhappy episode and get back to advancing the prosperity of our own.

In the meantime, we are taking steps to adjust to the fact that the North Place redevelopment including the new public car park will not happen as quickly as we previously thought by exploring options for increasing our parking revenues. One option that we are already actively pursuing is to create a new public car park on the Shopfitters and Synagogue Lane sites which will provide additional parking capacity for the town on a temporary basis. But that is not the only option we are looking at.

Finally let me turn to a broader subject, our aspirations for the future of Cheltenham. This is where our capital strategy can be a springboard for change and improvement.

In the 250 years or so that Cheltenham has been a significant town, each generation of Cheltonians have done their best to improve the town, to make it more attractive and more prosperous. That responsibility now rests on our shoulders.

We have built up a pot of capital from land sales – not only North Place and Portland Street but Midwinter and many smaller asset transactions. It gives us a once in a lifetime opportunity to invest in the future of Cheltenham. It can and should be our

legacy to future generations. That is why I have sought to engage the public of Cheltenham in deciding what our priorities should be.

Mr Mayor, some of us will remember the election slogan 'Are you thinking what we're thinking?' One of the most cheering aspects of the budget consultation is that people in Cheltenham do seem to be thinking what we're thinking. They do want Cheltenham to be a beautiful and culturally vibrant place. They do want their town enhanced, with the emphasis being on public realm, and on cultural, sports and leisure facilities. Interestingly there is even substantial support for the accommodation strategy, which at first sight has to be the least sexy capital project ever, though it does offer a huge opportunity to the people of the town.

There is a widespread impression in the town that we want to invest whole £8 million in the next year. I believe it will be a slower process than that, more a slow burn than a big bang. It will be quite some time before we know exactly where we are on Boots Corner. Projects such as the Town Hall and the crematorium will take time to prepare. And although we are active in seeking suitable alternative accommodation for the Council, bringing the accommodation strategy to fruition is not an easy task. But watch this space.

In March I will aim to bring a further report on the capital strategy, setting out how proposals will be evaluated and developed. This will be alongside an Asset Management Plan which outlines an up-to-date, comprehensive and realistic policy for managing our property assets. In the meantime, the capital programme I am presenting today is very much confined to the basic necessities as well projects we have already agreed. The main exception is the capital to improve the bus station.

I should also add that in March I will be bringing to Council a Planned Maintenance programme for 2015/16. This is normally presented at budget time, but this year we want to reassess it against the goals and policies set out in the Asset Management Plan. In the meantime, I am proposing to increase the annual contribution from the revenue budget to the Planned Maintenance Reserve from £700,000 to £850,000. It is very important that we invest adequately in property maintenance to avoid building up problems for the future.

Mr Mayor, I have always made a point when presenting a budget of thanking the officers for their help and support. I do so this year with particular warmth.

First and foremost I would like to thank Mark Sheldon, Paul Jones and the finance team for the intelligence they have brought to bear, the hard work they have done and the long hours they have put in. This year I would also like to mention Jayne Gilpin and her team in Revenues, who are now playing a bigger and more crucial role in our budget-making process. But my sincere gratitude extends much more widely than this.

I have had excellent support from the whole senior management and all the directors in meeting the challenges of this budget. I would like to pay tribute to my cabinet colleagues for their cheerful support and understanding. I would also like to thank the members of the Budget Scrutiny Working Group, the Treasury Management Panel and the Asset Management Working Party from all sides of the chamber for the valuable contribution they have made.

Mr Mayor, I started with one quotation from Groucho Marx and I will end with another. He said: 'Politics is the art of looking for trouble, finding it everywhere, diagnosing it incorrectly and applying the wrong remedies.' But actually I hope we are applying the right remedies in this budget – a commitment to protecting services, a push for efficiencies, an emphasis on supporting the local economy, a proper concern for prudence and sustainability, and a willingness to listen to the public. Above all, a determination not to sit on our backsides but to work hard to make Cheltenham a better place.

At a time of shrinking resources, this budget delivers a lot. Mr Mayor I commend it to you, to the Council and to the people of Cheltenham.