

MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2021/22

1. INTRODUCTION

1.1. The council's vision statement sets out its aspirational goals for the long-term future of Cheltenham.

"Our vision is of a Cheltenham that delivers the very best quality of life for its people. We believe that the key elements in achieving this vision are to protect and enhance the built heritage and green spaces that have shaped the unique character of the town; to create the conditions in which businesses can thrive, innovate and provide good quality jobs; to make the town a world-class cultural and learning centre which is outward-looking and welcoming to visitors; to build strong, safe and healthy communities for residents and their families; and to accept our responsibility to present and future generations to live within environmentally sustainable limits."

1.2. The focus of the MTFS is to ensure the strategy for forecasting, understanding and protecting the council's financial future ultimately reflects the vision for the council in the medium term. Its purpose is to ensure a stable and sustainable financial position that will allow the council to achieve this vision by delivering its aims and ambitions over the next 4 years (2018/19 to 2021/22).

1.3. The MTFS is the council's key financial planning document for the General Fund budget. It sets out and considers the financial implications of the council's objectives and priorities and factors in financial pressures, including reducing government funding. The diagram below shows how the MTFS is the overarching framework from which all other financial strategies, plans, policies and decisions hang.

Category	Overall	Revenue	Capital	Treasury Mgmt	Risk Management
Strategies	Medium Term Financial Strategy				
	Commercial Strategy		Capital Strategy	Treasury Mgmt (TM) Strategy	Risk Management
			Asset Mngt Strategy		
Guidance	CIPFA and Technical Guidance	Budget Guidance	Capital Guidelines	CIPFA Code for Practice for TM	Risk Management Guidance
Plans	MTFP Projection	Annual Budget	Capital Programme & Asset Mgmt Plan	Treasury Policy Statements	Risk Register
Governance	Constitution and Annual Governance Statement	Quarterly Performance Reports		Prudential Indicators and Annual Report	Risk Register reporting and regular review
	Contract and Finance Procedure Rules				Audit Committee and Cabinet Reports
	Internal and External Audit Plans and our response to audit review				
Decision making	Cabinet/Council				

- 1.4. The council's external auditor, Grant Thornton, undertakes a Value for Money review each year which assesses the council's finances against National Audit Office (NAO) Code of Audit Practice to determine whether or not the council has proper arrangements in place for securing financial resilience, and challenging how it secures economy, efficiency and effectiveness. This review covers six themes, one of which is Strategic Financial Planning focussing on the MTFS.
- 1.5. In order to achieve an unqualified value for money conclusion, the external auditor will focus their findings based on the council having robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future which is demonstrated by the MTFS. Grant Thornton's audit findings for 2016/17 including value for money assessment can be found at: https://democracy.cheltenham.gov.uk/documents/s22867/2017_09_20_AUD_GT_ISA260%20Audit%20Findings%20Report.pdf
- 1.6. 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. EXECUTIVE SUMMARY

- 2.1. To produce a robust and thoughtful MTFS which captures the growing needs and continuing aspirations of the council during a period of prolonged public spending austerity the following areas are considered and discussed:
 - SECTION 3 National and Local Financial Risks
 - SECTION 4 Current financial budget gap
 - SECTION 5 Reserves Strategy
 - SECTION 6 Savings Strategy

3. NATIONAL AND LOCAL FINANCIAL RISKS

- 3.1. The Council is operating in a challenging and uncertain economic environment. As the Government continues to negotiate the country's exit from the European Union, the financial impact of Brexit on the country and on local government is unknown, but potentially significant in terms of legislation, inflation, interest rates and economic growth.
- 3.2. The impact on the UK economy may affect aspirations for the Government's deficit reduction programme and therefore the amount of funding available to local government. The political situation is also complicated by the general election held in June 2017 that saw the Government's parliamentary majority eroded.
- 3.3. Economic growth in the UK is slowing, with growth of 0.3% in Quarter 2 2017 and 0.2% in Quarter 1 2017. Inflation is also higher than the Government benchmark of 2%, with inflation in October 2017 measured at 3.0% (Consumer Price Index). The unemployment rate however is at an all-time low of 4.3% as at Quarter 2 2017.
- 3.4. The state of the UK economy will influence the amount of taxation income available to the Government and also the cost of income-based benefits and social support. This in turn can influence the national deficit reduction strategy of the Government and the balance of funding available to local government.
- 3.5. The MTFS for 2018/19 to 2021/22 recognises the significant changes to the national funding system as well as locally driven cost pressures and political choices. It has therefore taken a risk based approach in reviewing the financial pressures facing the council and how they should be mitigated across the medium term.

Future Budget Rounds

- 3.6. The Council will no longer receive Revenue Support Grant funding from the Government from 2019/20 and will have to rely on income generated in the Borough to fund services. The Council will only receive £102k of Revenue Support Grant in the 2018/19 financial year. The final year of the existing four-year settlement will also see the introduction of a Tariff Adjustment for the first time. For Cheltenham this amounts to £391,000 and has been referred to as negative Revenue Support Grant.

- 3.7. Business Rate income generated under the Retained Business Rates funding mechanism is an important income stream, but is complex and potentially volatile. The Retained Business Rates scheme places considerable financial risk on the Council in terms of fluctuating business rates and funding the costs of business rate appeals, which directly affect the income that the Council can recognise.

Business Rates Retention

- 3.8. The Government did not reintroduce the Local Government Finance Bill in the Queen's speech after the June 2017 election. The Bill had set out the framework for 100% business rate retention that would have allowed local government in England to keep all of the £26 billion it collects in business rates. The fair funding review also appears to have been side-lined as the Government concentrates on Brexit negotiations. This would have reviewed the funding formulas for the distribution of resources to local government.
- 3.9. Under the current system roughly £13bn per year of business rates income is kept by Central Government to fund local authority services. This is referred to as the "Central share" and is redistributed to councils in the form of Revenue Support Grant (RSG) and other grants including New Homes Bonus (NHB). In future, if this sum is retained by local authorities, new burdens of a broadly similar value will be passed across to local government. As a result local government will not initially have more funding; over the longer term this will depend on whether business rates grow faster or slower than local authority service demands and costs, and to add further complication will depend on where the revised business rates baseline is set for the council which is currently proposed from 2020/21.
- 3.10. The council's DCLG set business rates baseline is £2.653m whilst, as a result of economic growth, £3.078m is now actually being generated and supporting the base budget in 2017/18. It is likely that the new baseline will be set taking into consideration business rates income retained over an average period, (say two years) and this will be compared to the reassessed needs of the Borough resulting in either a top-up or tariff to manage the difference between the two. If Cheltenham's baseline goes up then in order to retain any additional income the level of growth will need to increase.
- 3.11. Growth will be calculated as business rates income in excess of the revised baseline and will continue to be shared with the upper tier authority; the split of which is yet to be determined and forms part of the current DCLG thinking on Business Rates Retention.
- 3.12. Whilst levies on growth will no longer exist under the new system (the cost of which had been mitigated through the establishment of the Gloucestershire Business Rates Pool) and it is likely that some form of safety net will remain in place, councils will be subject to local volatilities within its own economies.
- 3.13. In previous years, local authorities have been funded through a mixed structure of grant e.g. RSG and locally driven income e.g. council tax and business rates which provided some mitigation of risk. Moving to a 100% retained system means the risk fully transfers to local government and as such individual councils must assess their level of risk and make appropriate contingency plans to manage the potential costs of the changing system and furthermore the local fluctuations in business rates revenue over time.

Business Rates Appeals

- 3.14. The impact of appeals remains volatile and there are a large number of appeals outstanding. Changes to the value of businesses can have a significant impact upon business rates collected and provision is made in the business rates estimate for future appeals which is reviewed annually. The 2017 revaluation when all rateable values are reset will generate a new round of appeals being lodged. Based on previous revaluations a very large number of appeals are likely to be lodged. Initially there will be no evidence to indicate the accuracy of the new rateable values and the likely success rate of appeals, therefore a significant increase in the provision will be necessary to address the high volatility.

New Homes Bonus (NHB)

- 3.15. There have long been concerns as to the sustainability of this funding stream, and in 2017/18 the Government changed the calculation for the award of the grant. Prior to 2017/18 the grant comprised six annual tranches, reducing

to five in 2017/18 and four thereafter. A baseline of 0.4% housing growth has also been introduced under which no New Homes Bonus grant is paid. The change in methodology resulted in the Council attracting £1.771m of New Homes Bonus grant in 2017/18, a reduction of £381k compared to previous years.

- 3.16. DCLG have recently consulted on further proposed changes to the current New Homes Bonus scheme which is intended to incentivise house building within local authority boundaries and may include an increase in the baseline target. The outcome of the consultation is not yet known and it is thought this may be wrapped up in the outcome of the Local Government Finance settlement, due to be announced in December 2017.

Council Tax

- 3.17. Council tax is considered an increasingly important mode of local government financing by Central Government. This is reflected in the decision to allow districts to increase council tax by £5 per annum or up to 2%, whichever is higher. Current projections also assume growth in the taxbase of 0.85% per annum.
- 3.18. The assumptions were made by the Government when establishing the reduction in RSG linked to the level of council tax base growth; however, locally the council will need to consider what levels of growth are likely and financially sustainable.
- 3.19. Furthermore, there is a corresponding cost to increasing the tax base with additional properties and residents to service which needs to be recognised and captured at certain steps or “trigger” points e.g. refuse / recycling collections. Council tax revenue appears to be being seen nationally as a future “cash cow” and it may be possible that the current limits in increases are raised, particularly given the likelihood of further funding cuts.

Fees & Charges

- 3.20. A significant proportion of the council’s funding comes from fees and charges. This is fast becoming an ever more important funding mechanism and one which is within the council’s gift to control, subject to any legislative, economic or political constraints.
- 3.21. However, as more reliance is placed on income there is increased pressure to understand current performance levels coupled with the risks and opportunities arising from each income stream whether it is new or existing. It is also important to consider how “recession-proof” an income stream is so that appropriate levels of mitigation can be put in place under a Reserves Strategy to meet dips arising in a recession.

Recession

- 3.22. The last recognised recession was in 2008; as a result it is likely that the country is closer than ever to the next economic dip. Economic peaks and troughs are a recognised inevitability and the council’s finances should be managed with this in mind – save during the peak years to support spend during the troughs. Taking this approach will see more emphasis placed on maintaining increasing levels of reserves, than in previous financial years.

Resources

- 3.23. Concerns around the council’s capacity and resources available to deliver multiple competing priorities has been raised and this is a key consideration for Executive Board and Cabinet when determining their priorities and the delivery of the proposed Savings Strategy. In particular, there will be a necessity to both realign base budgets and make one-off budgetary provision to support the delivery of priority schemes being supported and delivered by Place & Economic Development (P&ED). This specifically relates to the delivery of major growth, public realm & infrastructure schemes which will be crucial to the delivery of the council’s Savings Strategy.
- 3.24. The key risk is that if resource is not deployed to allow focus on the schemes which are of financial importance to the council the proposed Savings Strategy will not be delivered within the timescales required, resulting in a less managed response to funding cuts set down by central government.

4. CURRENT FINANCIAL BUDGET GAP

4.1. The MTFS develops a series of financial projections to determine the longer term financial implications, in order to deliver the council's aims. 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 which determines the funding gap. The package of measures required to equalise the two calculations forms the "Savings Strategy" identified in section 6.

4.2. The projection of the funding gap is shown in Table 1 below:

Table 1: Projection of Funding Gap	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		13,854,397	15,262,188	17,328,946	18,688,452
IN YEAR BUDGET VARIATIONS					
Increased costs of existing services					
General Inflation		72,970	63,200	65,000	65,000
Shared Services contract inflation		50,400	43,000	44,000	45,000
Ubico Ltd contract inflation		186,116	100,000	100,000	100,000
Employee related expenditure		164,600	172,400	177,000	177,000
Living Wage costs			4,000		
Pension costs - 2016 Revaluation		401,000	401,000	200,000	200,000
TCT savings deferred		150,500			
GROWTH		30,000			
INCOME					
Sustainable car parking and crematoria income		(150,000)			
Green Waste - demand / inflationary increase		(13,000)	(11,300)	(11,300)	(11,300)
Cemetery & Crematorium - inflationary increase		(33,900)	(34,700)	(34,700)	(34,700)
Recharges		(3,900)			
RESERVES					
Reversed Net Contribution from BSS Reserve		882,205	859,958	819,506	297,824
Reversed Net Contribution from BRR Reserve		(329,200)	469,200		
Projected Net Cost of Service	13,854,397	15,262,188	17,328,946	18,688,452	19,527,276
Government Grant support (RSG)	(544,030)	(102,300)	0	0	0
NNDR	(2,846,506)	(3,636,951)	(3,477,500)	(3,596,200)	(3,700,000)
NNDR pooling surplus contribution	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
NNDR S31 Grants	(676,296)				
National Non-Domestic Rate - 2015/16 (surplus) / deficit	303,960				
National Non-Domestic Rate - 2016/17 (surplus) / deficit	140,464	235,484			
National Non-Domestic Rate - 2017/18 (surplus) / deficit		359,368			
New Homes Bonus	(1,750,000)	(1,687,000)	(1,370,000)	(1,020,000)	(1,020,000)
Parish Council Tax Support Funding	10,269	5,169			
Collection Fund surplus contribution	(128,000)	(165,000)	(50,000)	(50,000)	(50,000)
Transition Grant	(74,197)				
Council tax income assuming council tax increases by £5 per annum from 2017/18	(8,090,061)	(8,428,000)	(8,708,982)	(8,993,464)	(9,281,446)
Projected Funding	(13,854,397)	(13,619,230)	(13,806,482)	(13,859,664)	(14,251,446)
Cumulative Funding Gap	0	1,642,958	3,522,464	4,828,788	5,275,830
Cumulative Funding Gap excluding BSS Reserve requirement		1,642,958	2,662,506	3,149,324	3,298,542

- 4.3. The projections above reflect a funding gap for the period 2018/19 to 2021/22 of £3.299m (i.e. the financial gap between what the council needs to spend to maintain existing services and the funding available excluding the use of the Budget Strategy Support Reserve). The key assumptions for the preparation of these projections are explained below:

General

- 4.4. The net costs of services have been estimated by using the approved 2017/18 base budget as the base for future projection's though to 2021/22.
- 4.5. This has included general inflation at 2% on insurances, utilities, postage, IT maintenance agreements and 3% for non-domestic rates. Where information is available, major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement.
- 4.6. An inflationary increase of 2% on shared service contracts has been included to take account of the increase in staff costs incurred in employing councils which will be recharged to the council. Furthermore a 2% increase on the current Ubico Ltd contract has been included however this assumption will be refined and amended as Ubico prepare their final budgets for 2018/19.
- 4.7. Historically, annual premises repairs and maintenance budgets have not been inflated which has resulted in increased pressure to be able to maintain and run the council's buildings within budget each year as prices continue to rise. To address this, inflation at 2% has been included in each of the years within the MTFS.

Employee related costs

- 4.8. The Chancellor had previously announced that public sector pay increases will be capped at 1%, and whilst pay awards in local government are covered by collective bargaining between employers and trade unions, and not subject to direct control from central government, it was not unreasonable to assume that the local government employers will mirror what happens in the rest of the public sector. However, on 5th December 2017, the National Employers made a final pay offer covering the period April 2018 to March 2020.
- 4.9. The offer comprises a flat rate increase of 2% for the next two financial years with some bottom-loading on the lower pay points in order to continue to close the gap with the National Living Wage (NLW). For interim budget modelling, a 2% increase has been assumed throughout the duration of the MTFS with a contingency held in general balances for an amount equivalent to a further 1%.
- 4.10. The net cost of service assumes an employee turnover saving of £350k per annum by the Council, which equates to 4.29% of base salary budget. This is allocated across service areas according to headcount and gives managers clear cash targets within which they have to manage.
- 4.11. The Council is part of the Gloucestershire Pensions Fund, which is administered by Gloucestershire 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. The triennial revaluation of the Fund based on the position as at 31st March 2016, 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.
- 4.12. 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 65% (compared with 60% in 2013), with a shortfall of £38.998m. 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 18.3% future service rate which should cover the liabilities scheme members will build up in the future, plus

- an annual lump sum past service deficit contribution (£3.536m in 2018/19), to cover the shortfall in the Fund. Under the existing strategy the council is projected to move to a positive cash-flow position by 2019/20. This works on the assumption, as built into the MTFs, that the council pays a cumulative increase of £401k per annum reducing to £200k per annum in 2020/21 when the council moves to a positive cash-flow position.

- 4.13. The Chief Finance Officer has requested analysis from the actuary to explore the cash flow benefit to the council in making the required secondary sum payments to the Local Government Pension Scheme (LGPS) as a pre-payment for future year liability i.e. pay some of the liability up front which impacts on cash flow but does not represent an additional budgetary commitment. Currently monthly contributions are paid to the pension fund, however, if a prepayment of £7.473 million is made, it is anticipated that savings of £0.100 million could be realised over the final two years of the three year actuarial cycle.
- 4.14. From April 2016, a new National Living Wage of £7.20 an hour for those aged 25 and over was introduced. This will rise to over £9 an hour by 2020. The majority of the Council's staff are already paid above the Living Wage, however for a small number of employees who will remain under £9 per hour by 2020, the cost of £4,000 has been included from 2019/20 to allow for this increase.
- 4.15. An increase of 2% per annum has been assumed on members' allowances, in line with the anticipated employee annual pay award. This is included within staff costs and totals c. £7k per annum.

The Cheltenham Trust

- 4.16. The Cheltenham Trust was established in October 2014 and the original business case projected savings over the first 5 years of the contract totalling £835k. Whilst the Trust has delivered substantial savings totalling £642k in the first 3 years of trading, the current financial climate, with the reliance on income growth, has resulted in a request for a deferral of the savings target of £150,500 in 2017/18.

Fees & Charges

- 4.17. In previous years, a general assumption for a 2% increase in non-statutory fees and charges has been factored in. However, this has resulted in an increasing necessity to freeze prices within certain service areas that would be detrimentally impacted as a result either through local pressures or as a result of national legislative requirements.
- 4.18. Rather than continue with this approach, the MTFs no longer assumes a 2% inflationary increase but instead has opted for a fundamental year on year review of fees and charges to ensure they consider the costs of service provision, legislative requirements and competitive pricing structures.

Revenue Support Grant (RSG)

- 4.19. On 8th February 2016, the Secretary of State for Communities and Local Government announced the final local government settlement for 2016/17. In addition to the detailed proposals for 2016/17, figures were also provided for each financial year up to 2019/20. The proposed settlement for 2018/19 indicates a further grant reduction in cash terms of £0.362m or 11.4%.

Retained Business Rates

- 4.20. The Business Rates Retention Scheme was introduced on 1st April 2013. Under the Scheme, the Council retains some of the business rates raised locally. The business rate yield is divided – 50% locally and 50% to the Government. The Government's share is paid into a central pool and redirected to local government through other grants. Of the 50% local share, the district councils' share has been set at 80%, with the County Council's share being 20%. A tariff is applied to reduce the local share to a baseline funding level set by the Government. Where the value of retained business rates exceeds the baseline funding level, 50% of the surplus is paid over to the Government as a levy; the remaining 50% can be retained by the Council.

- 4.21. In order to maximise the value of business rates retained within Gloucestershire, the Council entered into the Gloucestershire Business Rates Pool. Being a part of the Pool has the benefit of reducing the government levy from 50% to 8%. Any surpluses generated by the Pool are allocated in accordance with the governance arrangements agreed by the Gloucestershire councils.
- 4.22. There is a high level of volatility in the business rates system, mainly due to the level and impact of appeals lodged against rateable values but also due to the natural turnover of businesses, properties being left empty or demolished and the increasing trend for commercial properties to be converted into domestic dwellings. Changes to the value of businesses can have a significant impact upon the business rates collected. These factors make it difficult to predict the level of income the Council can retain in the future. Previously, for modelling purposes growth of 3% against the baseline has been predicted. Additional work has been undertaken to gather intelligence available about any growth or decline in the business rate property base and forecast the level of business rates income over the next 3 years. There is still a degree of uncertainty as forecasting is based on high level information and it is not until the Valuation Office Agency visits a completed building that a final rateable value is known. The estimated timing for new, redeveloped or demolished premises may also be incorrect.

New Homes Bonus

- 4.23. The Government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This now provides match funding of £1,590 for each new property for four years (based on national average for band D property – i.e. £6,360 per dwelling over four years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).
- 4.24. Funding is not ring-fenced and is designed to allow the ‘benefits of growth to be returned to communities’. Funding is split 80:20 between district and county authorities.
- 4.25. The Council now includes 100% of its New Homes Bonus funding within base budget equating to £1.687m in 2018/19 under the current methodology. As detailed under sections 3.15 – 3.16 the current NHB scheme is out for consultation and there may be significant changes to the current arrangements.

Council Tax

- 4.26. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates. This is assessed annually and an estimate of £50k per annum has been assumed for the period covered in this MTFS with the exception of 2018/19 which has been calculated based on data held.
- 4.27. 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 forecast to increase by 0.85% each year for the purposes of modelling the MTFS and a council tax increase of £5 per annum is assumed from 2018/19.

Funding Gap

- 4.28. Given the expectations on councils to make a significant contribution to reducing the national budget deficit, this Council faces a significantly more challenging financial position in the early years of the MTFS. The latest projections indicate a gap of £3.299m for the period of the MTFS (2018/19 to 2021/22).
- 4.29. To enable time to deliver such a significant savings target over the period to 2021/22, to mitigate the financial risks captured in section 3 and to smooth out fluctuations in income levels a robust Reserves Strategy is required to supplement and support the Savings Strategy.

5. RESERVES STRATEGY

- 5.1. The council is aspirational and horizon scanning in the approach it takes to delivering its services, and supporting those it works with in partnership to ensure Cheltenham is a vibrant and desirable place to live, work and invest. As a result,

when funding has become available either through budget underspends or one-off funding, a strategy of utilising opportunities for improving and investing in the town has been followed.

- 5.2. However, recognising the change in the council's short to medium term finances has required an alternative approach to be taken over the next few financial years with a focus on delivering services within approved budgets and enhancing the council's reserves to ensure it is able to meet any unforeseen costs in the future and also mitigate known risks and forecast cost pressures, particularly those arising from changes in the way local government is financed post 2019/20.

Budget Strategy Support Reserve

- 5.3. As part of the 2016/17 budget setting process, the Budget Strategy Support Reserve (BSSR) was established to provide greater resilience and time for the council to embed its savings strategy and allow for slippage in savings delivery.
- 5.4. Savings previously identified as part of the last iteration of the MTFs have indeed slipped and this version adopts an alternative approach to delivering a Savings Strategy which will in turn take time to deliver and furthermore may inevitably suffer from slippage. As a result the BSSR will need to be suitably resourced to not only mitigate the forecast delay in the delivery of savings but also be robust enough to support any reported slippage during the MTFs period.
- 5.5. The Savings Strategy detailed in Section 6, identifies a need to fund £1.977m from the Budget Strategy Support Reserve in addition to the £882k used to support the 2017/18 budget, a total need of £2.859m. There is currently £2.034m in the BSSR as at 1st April 2017.
- 5.6. However, this projection assumes the Savings Strategy can be delivered in full and on time and it would be prudent to further build up the BSSR to allow for a 10% slippage in savings, an additional c. £400k. The Council therefore needs to allocate a further £1.2m to the BSSR. This should be sourced as above through in-year underspends, fortuitous windfalls and where appropriate, reserve realignment.

Business Rates Retention Reserve

- 5.7. The move to 100% locally driven funding following the introduction of 100% Business Rates Retention will build in an increased risk of volatility in the council's financial planning. This needs to be appropriately managed and understood by the organisation as full reliance will be placed on the performance of the local economy with a drop in business rates income having the potential to force further service cuts. As such the Business Rates Retention Reserve (BRRR) needs to be strengthened to mitigate the risks outlined in sections 3.8-3.14.
- 5.8. The BRRR should be increased to a target of £500k to allow for the potential reduction in income arising from the risks as identified. There is currently £150k in general balances specifically to cover fluctuations arising from pooling arrangements together with £236k projected to be held in the BRRR at 31st March 2018. The council is already mitigating fluctuations in income levels arising from changes in the local economy and moving forward will face even greater exposure to such volatilities under the reformed retention system.
- 5.9. Any Collection Fund and Pool surpluses over and above those assumed in the Savings Strategy should be earmarked for the BRRR to ensure a base level of reserve is in place in advance of the implementation of 100% Business Rates Retention.

General Balances

- 5.10. General Balances are held to protect existing service levels from reductions in income levels as a result of economic downturn and other unforeseen circumstances. CIPFA's Local Authority Accounting Panel (LAAP) issued a guidance bulletin on local authorities' reserves and balances.
- 5.11. 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.

5.12. The council has, over a number of years, earmarked significant funds for specific reserves. These are reviewed twice yearly by Full Council under the guidance of the Chief Finance Officer (S151 Officer). Over the course of this MTFs, the value of earmarked reserves will be reduced as they are used to finance planned expenditure.

5.13. The General Balances calculation is attached to this strategy at Annex A.

6. SAVINGS STRATEGY

6.1. As detailed in the previous sections, the council has a significant funding gap to resolve as well as a number of financial risks to manage. Given the ambitious nature of the council and its desire to ensure Cheltenham is a place where residents and visitors wish to work, visit and live the savings strategy for the medium term must reflect these aspirations and not jeopardise these core priorities whilst recognising that the net cost of the council's services must reduce over time.

6.2. The proposed key building blocks for the executive team structure of Place and Economic Development; Organisational Change; and Finance and Assets, together with a planned and proactive approach to the use of reserves, are the key drivers for delivering the savings strategy.

6.3. The savings strategy looks inwards at service transformation and modernisation, outwards at economic growth and investment, and relies heavily on collective ownership and oversight. The Council has an ambition to become more commercial in order to move towards a greater level of financial self-sufficiency. This will require a change at strategic level that will affect the whole organisation, taking into account the tight geography of the Borough, the pace of change desired and the high level of senior leadership buy-in required.

6.4. The commercial strategy is attached to this strategy at Annex B. This commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management. Each of these will contribute towards our ambition to make Cheltenham Borough Council a leader of innovation, enterprise and growth which others will aspire to and wish to collaborate with.

6.5. The savings strategy indicates broadly how the Council may close the projected funding gap over the period 2018/19 to 2021/22. In future years, it includes targets rather than necessarily specific worked up projections of cost savings and additional income to allow the Executive leads autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs. Holding adequate information upon which to base the allocation of scarce resources allocation is essential to address under-met needs.

(1) Place and Economic Development

6.6. **Place and Economic Development** – refers to “place shaping” in its widest sense – being clear on the ambitions for Cheltenham, gaining alignment and commitment from others on the scale of ambition, and having clarity of purpose, intent and delivery to make sure that Cheltenham is and continues to be a “place where everyone thrives”.

6.7. One of the strengths of the Cheltenham economy is its diversity. With the exception of GCHQ, we are not overly dependent on one or two major employers or on the performance of a specific industrial or service sector. It is possible to influence how Cheltenham is shaped, by supporting and encouraging existing and new businesses, marketing the town's rich cultural and dynamic offer and promote inward investment.

- 6.8. A new senior leadership post was created - MD for Place & Economic Development – plus two director level posts covering Planning and Environment. The savings targets were set for the Cost of Service Reduction (£157.5k) which is scheduled for delivery in 2018/19 as approved by Cabinet. The transformation programme has seen a new approach to service delivery – encouraging cost effective and agile working practices. The new approach has enabled the delivery of Marketing Cheltenham (officially launched in Nov 2017), the creation of a business support team, and intern programme and delivery of an agile working project. The programme will continue to drive the savings targets whilst delivering priorities and service improvements.
- 6.9. Following the change in approach to income inflation within the forecast for the funding gap, a new target has been introduced under the P&ED Transformation covering a review of fees and charges and income generation opportunities. This reflects that whilst it is recognised that a flat 2% inflationary increase is no longer appropriate, a review of the fees and charges made by the services within P&ED should year-on-year result in an additional base budget contribution. The £50k per annum target represents less than 1% of the P&ED 2017/18 income budgets, inclusive of car parking and excluding cemetery & crematorium which is subject to inflationary increase.
- 6.10. Cheltenham is uniquely placed to grow. The creation of a growth zone, as promoted in the Strategic Economic Plan (SEP), is to ensure the availability of quality employment land in proximity to the M5 motorway, attractive to businesses and with excellent connectivity throughout Gloucestershire and the rest of the UK. This will serve latent demand in the marketplace and provide space required to enable businesses to grow; particularly in the town's margins and with the neighbouring district of Tewkesbury, which is also geographically well positioned to deliver growth development to the north-west of Cheltenham and along the M5 corridor.
- 6.11. A 45 hectare site in West Cheltenham has been identified to create a Cyber Business Park, closely connected to the delivery of GCHQ's cyber security innovation centre, seeking to create a cluster of cyber and associated businesses. Initial estimates suggest that this site alone could generate significant additional business rates, of which under existing regulations, Cheltenham would retain 40%. There are obvious constraints such as planning, which will need to be considered alongside the Joint Core Strategy and furthermore the proposed changes to the Business Rates Retention Scheme mean that it is currently unclear how growth would firstly be retained by, and secondly shared between upper and lower tier authorities. It is also important to consider the wider impact and economic significance this cyber business park would have – attracting a wide range of international investors and business.
- 6.12. A further site in North West Cheltenham should deliver an Increase in Business Rates given the anticipated economic growth arising from development at this site. Although the majority of the NW Cheltenham growth is outside of the borough, there is a considerable area that is in Cheltenham. A planning application has recently been submitted and subject to the usual safeguards regarding economic pressures and planning constraints, it is prudent to estimate business NNDR growth from 2019/20.

(2) Organisational Change

- 6.13. The **organisational change** element of the medium term savings strategy currently has two key areas of focus over the life of the savings plan; savings following the creation of The Cheltenham Trust which formed part of the original business case when the trust was created in 2014 and savings targets arising from transformation and modernisation of service delivery within the authority which are in addition to the savings target to transform regulatory and environmental services.
- 6.14. Whilst the Place and Economic Development (P&ED) programme, which started in 2016, is progressing the current position is that only part of the authority is undergoing a programme of modernisation and change and this now needs to be addressed.
- 6.15. The vision for the services that has emerged through the P&ED transformation programme is services that are financially sustainable, have a commercial mind-set, foster creativity and innovation, with a strong customer and community ethos, and which are flexible and drive out as much as efficiency as possible. The objectives of the services is to be:

- Customer focussed - with services delivered in a way that is convenient for the customer and in a way that meets their needs;
- Supportive to economic growth;
- Efficient – with joint up services provided at minimal cost.

6.16. The key focus for this work-stream going forward will be around the development of a business case for a new authority-wide organisational model, where customer journeys and processes are efficient and easy, supported by the appropriate technology and where staff have the ability to work flexibly, with the requisite skills, knowledge and experience to deliver. A high level business case assessment has been commissioned to establish the potential level of savings achievable through an authority-wide approach to organisational change. The work to date would indicate that the savings shown are achievable. However, as the assessment requires further scrutiny the targets are highlighted as red.

(3) Finance and Assets

- 6.17. **Finance and assets** – we recognise the continuing need for sound strategic financial planning in the context of uncertainty in the national local government finance landscape, and in a context where more of the authority's ongoing financial revenue will come from business rates or commercial opportunities with a potentially higher risk profile.
- 6.18. The relationship between how we develop, grow and utilise our assets needs to be influenced by our ambition for Place, how we use our assets strategically and in the long term to achieve the outcomes we want to see for the town and also the wider county of Gloucestershire.
- 6.19. Active asset management of the authority's asset portfolio and maximising the return from the authority's own assets to help deliver a sustainable financial plan will be increasingly important and is a complex area. Decisions around the extent as to the commercial investment opportunities will heavily rely upon careful and sound strategic financial advice and support. The key aims are to ensure our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough.
- 6.20. The principles of the latest settlement allow authorities to spend locally what is raised locally. In order to do this it needs to grow its taxbase through growth, regeneration and reasonable tax increases. It also needs to ensure the taxbase is maximised through effective management and by using measures available, including counter fraud, reducing the number of empty premises and working effectively within the parameters of the planning process with regards to land supply.
- 6.21. The Council will need to have a relentless focus on generating additional sources of revenue income as government grant continues to fall and interest rates remain low. It is unrealistic for this focus to be purely on fees and charges to the public. Rather the focus, where market conditions allow, should be on areas such as: investments in the commercial property portfolio and regeneration through both direct and indirect investment to boost local economic activity. 100% retention of business rates will place greater emphasis on this activity and may require collaborative working with the LEP. Effective realisation and reinvestment of capital receipts alongside external and internal borrowing is also a crucial element.
- 6.22. The appetite for risk within our treasury management investments will need to be challenged as returns from traditional fixed term cash deposits are minimal. Real growth will need to be from alternative investment sources such as investment in property funds and multi-asset funds which include exposure to the bond and equity markets.

(4) Use of Reserves

- 6.23. As has been outlined in section 5, the savings strategy will take time and resource to deliver and the front-loading of the funding gap exacerbates the financial position. The council must therefore draw on its reserves to provide short-term support, specifically the Budget Strategy Support Reserve (BSSR).

Table 2: SAVINGS STRATEGY						
	2017/18	2018/19	2019/20	2020/21	2021/22	Total 2018/19 to 2021/22
Total Current MTFS Funding Deficit	2,016,986	1,642,958	1,879,506	1,306,324	447,042	5,275,830
1. Place and Economic Development						
Transformation of Regulatory & Environmental Services delivery		157,500	100,000			257,500
Review of fees & charges and income generation opportunities	50,000	50,000	50,000	50,000	50,000	200,000
Car Parking - volume analysis	200,000					
Creation of the Business Improvement District (BID)	16,000					
Growth through increase in business rates and place-making			350,000	450,000	200,000	1,000,000
Total	266,000	207,500	500,000	500,000	250,000	1,457,500
2. Organisational Change						
Corporate Overheads - reduction in costs	8,300					
Commissioning - reduction in cost of service	50,000					
Revenues and Benefits restructure		80,000				80,000
Hire of depot for TBC co-mingling contract	22,000					
Saving from Single Advice Contract	25,000					
Increase Green Waste by £4 and increase Discount to £3	40,000					
L&C Review - trust savings			100,000	93,500		193,500
Transformation and Modernisation				65,000	200,000	265,000
Total	145,300	80,000	100,000	158,500	200,000	538,500
3. Finance and Assets						
Review of Internal Audit and Corporate Fraud Unit	43,000					
Net increase in charges to Housing Revenue Account / CBH from One Legal	23,900					
Procurement savings	60,000		10,000			10,000
Property Services - reduction in cost of service	25,000					
Business Rates additional target through pooling	200,000	150,000	50,000			200,000
Treasury Management activity		170,500				170,500
LGPS pre-payment discount		100,000				100,000
Additional Depot rent - Ubico		25,000				25,000
Commercial rationalisation of existing assets, investment portfolio income generation, treasury management activity and finance related initiatives		50,000	400,000	350,000	300,000	1,100,000
Total	351,900	495,500	460,000	350,000	300,000	1,605,500
4. Use of Reserves						
a) Use of one-off payment holiday on VRP	400,000					0
b) MRP saving through change in methodology	95,000					0
* Use of Budget Strategy (Support) Reserve	882,205	859,958	819,506	297,824		1,977,288
L&C Review - trust savings deferred	150,500					
* B/Fwd deficit funded by Budget Strategy (Support)						
Reserve in previous year	(273,919)					0
Total	1,253,786	859,958	819,506	297,824	0	1,977,288
Total Identified Savings/Income	2,016,986	1,642,958	1,879,506	1,306,324	750,000	5,578,788
Shortfall / (Surplus) against MTFS Funding Gap	0	0	0	0	(302,958)	(302,958)

NB: traffic lights denote risk associated with delivery

* denotes decisions already made by Cabinet/Council

6.24. The table above summarises the work streams and uses a traffic light system to denote the risks associated with delivery.

Risks Associated with Delivery

6.25. Those treated as green are on target for delivery and the risks of failing to deliver are considered low – for example, the savings have already been approved / implemented. Savings treated as amber are considered to have risks associated with delivery however initial work has commenced to establish that the targets are realistic and deliverable, albeit more work is required before they can be considered as green. However, the savings considered red have significant risks associated with them – they are in essence, high level strategic targets and will require initial planning and resourcing to firstly identify how the intended outcomes will be delivered and secondly to confirm the feasibility of the targets set.

Resource Prioritisation

6.26. The targets set in the Savings Strategy will be challenging and the level of resource and capacity required to deliver them should not be underestimated. As mentioned above, both budget realignment and one-off budgetary provision is likely to be needed to provide sufficient resource to deliver such an ambitious Savings Strategy. The Cabinet and Executive Board should ensure that resource is focussed to deliver the key priorities outlined in the strategy which will ensure the council's financial future and avoid budget cuts whilst ensuring that appropriate budgetary provision is made for identified funding needs.

6.27. As such, if resource is not successfully prioritised and officers' time is diverted from the delivery of the Savings Strategy the challenging targets will not be delivered and the council's financial future will be detrimentally impacted. The financial risks around the changes to local government finances and the national financial climate outlined in section 2 clearly explain why the council's focus must be on delivering the Savings Strategy in the medium term which in turn may require other corporate priorities to be pushed into the longer term.

7. CONCLUSION

7.1. The council has a track record of strong financial management but is now in a period of significant volatility and uncertainty. The council must plan now to ensure its financial position is protected across the medium term as changes to local government finances crystallise and the implications are known.

7.2. Both the Reserves and Savings Strategy should be followed in tandem, with Cabinet and Executive Board leading the way with delivery to ensure financial stability and sustainability with the achievement of the council's vision for the future of Cheltenham.

ANNEX A: WORKING BALANCE – CALCULATION OF OPTIMUM LEVEL**Background**

There are two approaches for deciding the optimum level of working balance. One approach is to apply a percentage to Net Budget Requirement, currently assessed as 10% (giving approximately £1,400,000). The alternative is a level based upon a risk assessment of the budget.

The Council uses a risk based approach to assess the appropriate level of working balance.

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

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

	Area of Risk	Explanation
1.	Inflationary Pressures	Historically the cost of pay awards has caused major variations to budget estimates. The National Employers have offered a 2% pay award per annum for the two years up to 2019/20. A provision of £82,000 (1%) is recommended within the working balance to offset the risk of the offer not being accepted. Inflationary risks on other costs are a factor elsewhere. The Ubico contract is driven by fuel and pay increases and a provision of 1% on the 2017/18 contract value suggest a figure of £93,000 should be kept as a provision in the working balance.
2.	Pension Fund Changes	The 2016 triennial review has brought a degree of certainty to future pension costs for 2017-2020. These should not impact adversely on the Council in the next 12 months so no specific provision is required at this point. However following the 2019 triennial review to be received in November 2019 further consideration to provision will need to be given.
3.	Planned savings measures	The Savings Strategy identifies £3.601m of savings targets to be delivered across 2018/19 to 2021/22. Slippage can occur and the Red Amber Green (RAG) system for identifying those work streams at risk of slippage within the Savings Strategy. Currently the strategy notes £350,000 of work streams considered 'amber' or 'red' for 2018/19 in terms of delivery and so these are accommodated within the working balance (exclusive of car parking increase which is covered under volume variations). The Council's base budget includes an annual target of £350k to recognise staff vacancy management which has been allocated out to cost centre managers which has ensured more transparency and ownership of the target. However, a smaller workforce coupled with reducing opportunities in a depressed public sector could impact on this budget principle and therefore a 10% allowance, equivalent to £35,000 for this is included within the working balance.
4.	Interest rate variations	The current very low level of investment rates suggest that there is little down-side risk at present and no specific provision is recommended for 2018/19.

	Area of Risk	Explanation
5.	Volume variations demand led	During the economic downturn the Council was vulnerable to drops in key income streams, e.g. planning fees, car parking income etc. Our budget projections reflect current levels of income however the risks associated with volatility should be better reflected particularly given recent fluctuations in planning, car parking and building control income. As such a 2% provision amounting to £200,000 to reflect the volatility is recognised in the working balance.
6.	New services/ initiatives	No new initiatives have been identified that require specific provision within the working balance.
7.	Risk of litigation contingency	The level of risk associated with litigation is considered to be reducing over time however risk does still remain and as such a provision of £200,000 is retained. The council holds a separate earmarked reserve for planning appeals which is also available if required.
8.	Emergency planning	Whilst the government will step in to assist in the event of a major disaster there are thresholds at which assistance is given. This threshold is 0.2% of the net budget. Financial support is then given at 85% of costs above this level. Provision of £1m would cost this Council £170,000; the cash flow impact would need to be handled from invested capital reserves.
9.	Financial guarantees/ contingent liabilities	Run-off of the old Municipal Mutual Insurance claims has begun but no provision is required at this stage.
10.	Grant income	No new grant streams are anticipated in the 2018/2019 budget. No risks have been identified around existing grant flows that require specific provision in the working balance.
11.	Business rates retention	As part of the pooling arrangement, the Council could be required to contribute to large scale revaluations such as occurred with Virgin Media via Tewkesbury Borough Council. Provision for such occurrences should therefore be included within the working balance and as such £150,000 is estimated.

CONCLUSION

The assumptions above total £1,280,000 suggesting that we strive to maintain a working balance around this figure during 2018/19. The Council should not allow the working balance to fall below this figure. The current working balance is £1,358,591 at 31st March 2017.

Cheltenham Borough Council

Commercial Strategy

Background and Purpose

Councils are facing a tough and complex set of pressures with cuts in funding, rising demand for services and economic growth challenges. With further funding cuts proposed and greater market competition we need to take more control of our future becoming commercially focused to help make our council financially sustainable. At CBC we have an underlying revenue budget gap which is forecast to be in excess of £3.2m by 2021/22 principally due to reductions in revenue support grant, uncertainties in future Government funding and increasing demand and costs.

Part of our drive towards financial sustainability will include identifying new opportunities to generate income and investment in projects which provide good financial returns. Whilst undertaking commercial activity we should not lose sight of our values and our ambitions for our communities to achieve a promising future.

Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.

Our Vision

The council's vision statement sets out its aspirational goals for the long-term future of Cheltenham one that delivers the very best quality of life for its people. Whilst delivering this vision the Government expects councils to make a significant contribution to reducing the national budget deficit through reductions in our 'core' funding over the next few years. These reductions will lead to difficult decisions and may require some 'one off' financial investments to enable longer-term savings to be delivered.

The principles of the latest finance settlement allows authorities to spend locally what is raised locally which is the major driver towards 100% business rate retention and this means our commercial approach towards investment is critical to our future thinking for delivering savings and generating additional income. Our commercial vision is:

To become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22.

Our Approach

We will:

- Adopt behaviours and make decisions which start to develop a commercial culture whilst retaining strong public, community and social values.
- Partner and work with others who share our ethos and values.
- Be innovative and resourceful to create efficiencies.
- Invest in schemes and projects that improve productivity, reduce costs, collaborate with partners and seek ways of using our assets to generate additional income.
- Adopt an approach which allows everybody to share their ideas and our people are involved in activities which develop our new approaches.
- Invest in approaches to support and develop our staff to become more commercially minded.
- Ensure governance, management and performance of new commercial enterprises, partnerships and contracts continue to be robust ensuring we adhere to our statutory responsibilities and public money continues to be appropriately used and accounted for.
- Recognise that we need to be risk aware, not risk averse which will involve making decisions against prescribed criteria.

Commercial Assets

Cheltenham Borough Council has a rich source of assets, attributes and roles from which we can derive commercial value and these are summarised in Appendix 1. These assets and attributes will be applied and assessed against the following criteria:

- Financial objective
- Revenue delivery
- Risk
- Control
- Liquidity
- Management oversight
- Performance
- Diversification

This will enable us to determine how we work, where we work, who we work with and influence how we take investment decisions.

Commercial Definitions

There are lots of definitions in relation to commercialism and to ensure we all have the same shared understanding we have developed some definitions.

Commercialism

For us, 'commercialism' is an understanding of how we as an organisation need to operate in a more business like way. This involves working with our people to help them to start thinking in a different way, in essence, helping them to develop a more commercial 'mind-set', creating an environment that allows them to be innovative, encouraging them to embrace new flexible working and agile approaches and

where applicable, supporting them to develop approaches that enable 'trading' and 'selling' of services. This essentially means making sound 'business' decisions in terms of resources and investments.

Enterprise

We see this as the ability to think and act differently when considering the ways we manage, operate, deliver, and resource our services to create best value for our residents and customers. We need to become resourceful, innovative and develop the confidence to consider options that would not previously have been considered. We need to drive behaviours that support the idea that failure must be viewed as a learning opportunity as well as pioneering new ways of working and learning.

Through our Workforce Strategy we will develop approaches that bring out the enterprising 'spirit' in our people and volunteers giving them skills and creating the environment enabling them to be inquisitive, innovative and enterprising. We will develop relationships and work with partners who share our ethos.

Trading

We are a multi-faceted organisation which commissions and provides a wide range of services across the borough. Outside of the traditional treasury management instruments, we may wish to consider trading in markets and sectors beyond our boundary using the skills and expertise of our people. We recognise that not all services have the opportunity to 'trade' or charge customers for services to generate income.

Investment

Our capital investment decisions go beyond the traditional Public Sector approach of achieving social and community goals, replacing infrastructure and improving land and buildings. Our principal focus will be on investing in projects and schemes that generate a financial return on investment for the Council.

This approach will provide the Council with greater resilience and support the vision of being a financially sustainable council by 2021/22. All Capital Spending Decisions should focus on achieving at least one of three main drivers:

- **Revenue generation / invest to earn:** For example, proposals that generate new sources of income for the Council, such as investment in land and property development, rental property, green energy renewables, schemes that grow our business rates income, or proposals to enable existing revenue streams to be maintained longer into the future.
- **Invest to save:** For example, proposals to introduce new technologies and redesign services to reduce demand and promote independence.
- **Social Value:** For example, proposals that will bring collective benefit to a community.

Directors will oversee all commercial business activities ensuring they are appropriately governed, scrutinised, managed and monitored. Investment decisions will be made having applied a robust business case methodology and will be evaluated against key investment principles. A set of financial and non-financial criteria shall be used to assess which schemes and projects are taken forward.

Commercial Outcomes

The key outcomes that are directly linked to commercial activity can be summarised as;

- Commercial operating is increasing across the Council
- The efficiency of the Council has been improved
- Generating additional and sustainable income streams for the Council.
- Reducing the net budget of a service by reducing controllable costs of a service whilst still achieving service outcomes.
- Having staff with a commercial 'mind-set' across the organisation through developing and upskilling our staff to be more enterprising and innovative.

We are working through the details of our commercial outcomes and, once completed and risk-assessed, we will build these into our future Financial and Treasury Strategies. In the meantime the following aspirational targets have been proposed and will be further refined during 2018:

- To deliver a minimum of £0.7m of new revenue income by the 31st March 2020.
- To reduce back office costs by 5% by 31st March 2022.
- To develop and deliver commercial skills development to Council staff commencing in 2018 which will support this ambitious cultural change.
- To make significant efficiencies in the way we manage our buildings and reduce cost or increase output by over 5% by 31st March 2022.
- To deliver £2m of capital receipts by 2020.

It will be the responsibility of the Chief Finance Officer to report to Executive Board and Cabinet, progress against the timescales, outputs and commercial activities that are set out in the Medium Term Financial Strategy.

Appendix 1

Commercial Assets

Staff	Using and developing the knowledge and skills of our workforce to create the culture of trust, empowerment and involvement in commercial activities.
Land and buildings	Ensuring our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough to generate capital receipts and reduce costs. Through master-planning of key strategic sites, using our land and buildings to promote and deliver housing and economic growth.
Liquid assets	Access to cash, cheap borrowing and liquid assets to enable investment.
Infrastructure	Using and developing our digital and ICT platforms, public open spaces, car parks, street furniture and other infrastructure for commercial gain.
Partnerships	Using and selecting the most appropriate private, public and third sector partner to deliver the schemes and projects that derive the maximum level of income for the Council and value for customers, residents and communities.
Place shaping role	Using our strategic planning and economic development roles to shape and create the market for growth and enterprise.
Business intelligence	Working alongside the Cheltenham Business Improvement District (BID) and the Cheltenham Development Taskforce (CDTF) we will use our vast amount of business and service data more intelligently to create new commercial opportunities and better service delivery models which will generate new income for the Council.
Customer intelligence	Using the various channels that the Council has to communicate with the public and use the customer information and contacts we have to help design and develop new commercial opportunities.
Market strength	Use our economic, infrastructure and asset strength to influence how the supply chain and infrastructure providers operate and partner with the Council to derive commercial benefits and new income streams.
Brand and web presence	Using the high value of our web presence, search engine optimisation and brand value to promote our trading and commercial activities and those which we can partner with others to receive a financial return. Cheltenham already has a strong brand image, we need to refresh this and make it relevant to a changing market, building on our strengths, and making sure we deliver beyond expectations.
Democracy	An ethos to develop commercially for the wider public good.