

**BUDGET 2013/14 – STATEMENT BY THE CABINET MEMBER FOR FINANCE,  
CLLR JOHN RAWSON**

Mr Mayor,

I have great pleasure in presenting the revised budget for 2012/13 and the final budget proposals for 2013/14.

This budget has evolved over several months as a result of careful planning, hard work and creative thinking, not to mention a few trials and tribulations along the way.

This hasn't been an easy budget. It has been made in the context of a stagnant national economy which continues to struggle to achieve growth. At the start of the budget process last spring, we faced a funding gap of £735,000 between what the Council would need to spend to maintain services and what it could spend at a reasonable tax level. The gap grew to almost a million pounds over the following months, due to factors outside our control including the localization of council tax benefit and the impact of the recession on our income streams.

However the worst was still to come. We had been expecting a further cut of 5 per cent in government grant for 2013/14, adding to the 23 per cent we had already had since 2010. It soon became apparent that because of the poor state of Government revenues, that cut would be bigger. In fact, when it was announced last December the cut was 7.4 per cent – in cash terms £423,000 – with a further 12.7 per cent cut to come next year. This means that in just four years from 2010 to 2014 we will have lost around 40 per cent of our core Government funding.

At the same time, the Government decided that it wanted councils to freeze council tax, but declined to pick up the full cost of this freeze. In effect it offered to pay us £72,000 a year towards the freeze, leaving us to pick up £108,000, or in other words 60 per cent of the cost, ourselves. And even this somewhat deficient level of Government support is for only two years. This increased the pressure on us to make savings.

Councils are always facing financial pressure, but as a council we have never faced the kind of pressures we have had to bear since the worldwide economic crash in 2008. Some people in the town will very readily believe that it's all our own fault, that we have created our own problems by our own profligate spending. Indeed there are even councillors who are ready to encourage them in this belief. But the facts tell a very different story.

If you compare this budget with the one the Council passed five years ago, in 2008, our net budget has shrunk by just over £2.5 million. That's a 16 per cent reduction in cash terms. If you factor in inflation, the real terms reduction in our budget since 2008 is something like 25 per cent.

This is a council whose funds are shrinking, due to the weak economy and Government cuts. And the whole purpose of our financial management now is to make our shrinking resources go further in order to protect our services and the quality of the life in the town.

I do not shy away from the challenge. The reason I have talked at some length about our difficulties is to put this budget in some kind of context, not to spin you a hard luck story. The public doesn't want excuses. It wants us to get on with the job and overcome the problems.

Freezing council tax has not been easy to achieve for the third year running. But I firmly believe it has been the right thing to do. I am acutely aware that most of the people who elected me to this Council have seen a fall in the value of their income over the past four or five years. I imagine all of us in this chamber would say the same about their constituents. Many people are struggling to make ends meet. That is why I believe it is morally right to help them out by keeping council tax down.

At a time when the local economy is still struggling it is also right to do the same with parking charges. It is the third year running that we have frozen charges in our car parks.

To accomplish this and balance the books, this budget proposes savings totalling one and a quarter million pounds – and these are savings that can be made without any major impact on front-line services.

At the same time we have reduced our income targets where necessary to recognise that the economy is still struggling and that this will almost inevitably hit our income in the coming year.

These budget reductions not been achieved by cheese-paring. All the cheese has already been pared away by year after year of cuts, and the mice have starved to death long ago. Instead, the situation has demanded a far more radical approach. So what we have embarked upon is nothing less than a radical transformation of the whole organisation.

Some time ago, the leader of Birmingham City Council, Sir Albert Bore, said that Government cuts were bringing “the end of local government as we know it”. I wouldn't be that pessimistic. Local government isn't going to end, but it is certainly going to have to change. For local government, and for this Council in particular, business as usual is not an option. If we don't change the way we deliver services, we won't be able to deliver many of them at all. And this is what this budget recognises.

This budget delivers £383,000 of savings from shared services, including the GO project and Ubico. Shared services have been one of the Council's great successes in recent years, generating enormous change and massive savings, with more to come.

The budget also delivers £478,500 from other organizational changes, including commissioning of leisure and culture. These are the early fruits of the transformation I have talked about.

We are proposing, or in some cases have already implemented, reorganizations that are sensible in their own right as well as saving money.

We are reshaping the benefits services to be battle-ready for the new benefits system to be introduced.

We are reorganizing development control and strategic planning under a single team leader, while also providing capacity for delivering the new Local Plan.

We have reshaped the park ranger team to focus more on supporting friends groups and this is already working well.

We are adopting a partnership approach to promoting economic development, by working more closely with organisations such as JobCentre Plus, Gloucestershire First and the Local Enterprise Partnership, and contributing to a new Business Support Service.

We are relocating the Tourist Information Centre to the refurbished Art Gallery and Museum, which will not just deliver substantial savings but make the AGM a key centre for visitors and tourists.

We are also looking at outsourcing the Town Hall box office, which may have benefits that go beyond simply saving money.

These are the hallmarks of creative, proactive management.

One area of the Council's work that has needed to be restructured most urgently is parking enforcement.

From April, all the county's district councils, Cheltenham included, will lose the contract to enforce on-street parking regulations, which will be handed over to a private company. I think this is undeserved. Over the years we have brought in a rising parking income for the County Council, though they have criticized us for not achieving the level of income from fines that they wanted. However, undeserved or not, this decision has forced us to break up our integrated parking enforcement team, and carry out a fundamental reorganization of our transport and parking function.

To give you the picture in broad outline, of the 19 staff in the Integrated Transport section, most are eligible for transfer to the new service under TUPE arrangements. But we will have a continuing requirement for a small team of five to run our off-street car parks. They will sit in the Community Protection section of the Council's administration. Meanwhile, I understand that the County Council's new privatized on-street parking service will be run from Uxbridge. This is sad news for some very loyal staff.

The overall impact on the budget of these changes will be a minimum saving of £150,000. £60,000 will be saved on staff costs and a further £90,000 will be saved from the supplies and services budget, made possible because the service is shrinking in size.

In many ways this is a regrettable reorganization, and not just for staff who find that their jobs have migrated to Uxbridge. Losing our on-street parking staff will mean we won't have as many people on the ground, walking the streets, as we did. But there are also benefits to be gained, and I do believe that, with the right handling, the impact of this change need not be detrimental to our town.

We will still engage with Gloucestershire Highways through the Development Taskforce and the urban design team. The Think Travel sustainable transport project will continue to involve us in work to improve public transport and facilities for pedestrians and cyclists. Our parking staff

will not be focused entirely on enforcement and fines, but will have a broader public safety role, along with our community protection officers. For example, they will continue to work with police and highways over anti-social activities, including cruising.

This is just another illustration of how this budget is not just about cutting costs, necessary though that is. It is also about thinking creatively and flexibly about how to meet the challenges of the future. And there are other examples I could mention of how we are doing this.

One issue that we have thoroughly re-thought is how we use our New Homes Bonus, which is now a very significant part of our income.

When the New Homes Bonus was first introduced, we tended to regard it as an extra, and a large part of it was earmarked for bidding fund such as Environmental Improvements Fund and Promoting Cheltenham Fund. Last year we accepted that we needed to treat it as a source of regular income and took part of it into the revenue budget. This year I think we have reached the stage where we have to regard it unequivocally as part of our income stream, as other councils already have. The Government certainly regards it as part of our regular income, and indeed part of their justification for cutting our grant is that we now have New Homes Bonus coming in.

At the same time, the level of New Homes Bonus is likely to fluctuate from year to year, and for that reason we cannot allow ourselves to be over-dependent on achieving high levels of bonus income.

In this budget I believe I have struck the right balance between using the New Homes Bonus for revenue purposes and not becoming over-dependent on it.

So what I am proposing is that we should continue to take £250,000 if it directly into the revenue budget as we did last year.

I also propose that we should take £200,000 of New Homes Bonus and put it in the Planned Maintenance Reserve. This is in addition to the amount we already contribute to the reserve from the revenue budget, which is not being cut. This change was discussed and supported by the Budget Scrutiny Working Group. Using New Homes Bonus to strengthen the Planned Maintenance Reserve is a prudent thing to do, because if there are fluctuations in this source of income in future years, we can simply adjust our contribution to the reserve without having any immediate impact on services.

Next, I am proposing to take £219,000 of New Homes Bonus money to help towards the set-up costs of the proposed Leisure and Culture Trust. Again, this is a prudent thing to do because it is one-off money that will automatically drop out of the budget in the following year.

Finally, I am proposing to use the New Homes Bonus to fund a project over three years to help bring empty homes back into use. This is not only desirable in itself, but should more than pay for itself because every empty property brought back into use attracts extra New Homes Bonus.

At the same time I am proposing that the current multitude of bidding funds currently funded from New Homes Bonus should be combined into one Community Pride Fund, for which we will budget £50,000 in the coming year.

Can I turn to another area in which we have been both proactive and creative, and that is the localization of business rates.

From this April the Government will allow us to keep, in principle, 40% of the business rates we collect. Actually, this being a scheme designed in Whitehall, it isn't quite as simple as that in practice. Councils that collect proportionately more because they are in prosperous areas will pay a tariff. Those that collect less in the more deprived parts of the country will get a top-up. Cheltenham will pay a significant tariff if it handles business rates retention on its own. Business rates retention also exposes local authorities to some degree of certainty about their income levels and leaves them partially liable for the cost of appeals.

That is why pooling our business rates collection with other Gloucestershire councils seems to us to be the best way of going forward. This unprecedented form of co-operation between Gloucestershire local authorities will spread the risk arising from fluctuations in business rates income. It will also help to reduce our tariff and allow us to maximise the amount of business rates income we keep in the county.

One key objective of the pooling scheme, if it does generate extra income, is to build up a fund to support economic development across the county. This is entirely sensible, because economic growth anywhere in the county under this pooling arrangement will benefit all of us.

Gloucestershire councils have shown real vision in making this business rates pool a reality. While we have pressed on, a number of other pooling schemes elsewhere in the country have fallen by the wayside. I believe we should recognize and celebrate this achievement, including the contribution made by our own officers.

Mr Mayor, I want now to touch on how this budget will help to meet some other challenges.

It remains a crucial goal of this Council to complete the Joint Core Strategy in partnership with our neighbouring districts and then to proceed as quickly as possible to create a new Cheltenham Plan. I am proposing that £90,000 should be earmarked from the projected 2012/13 underspend to make this possible. This will be used to support the preparation of both the JCS and the Cheltenham Plan.

Although a great deal of the evidence for the JCS has already been assembled, this will need regular updating. So far as the Cheltenham Plan is concerned, a good deal of the evidence needed to underpin it, including the retail study and housing capacity study, still has to be built. There will also be substantial costs in relation to the examination of both the JCS and the Cheltenham Plan and the sustainability appraisals. The extra £90,000 will help to fund this important and urgent work.

Another challenge that we are facing is the Government's proposed changes in the benefits system. The changes create big uncertainties for the Council as it strives to adjust to the new system. But more importantly they will create difficulties and hardship for many people on benefits when the changes come in.

Some months ago, the Government announced that it intends to cut its funding for council tax benefit by 10 per cent from this April. We and all the other Gloucestershire local authorities have taken the view that simply passing the cut on to benefits claimants will simply pile more hardship on some of the poorest and most vulnerable people in our community. We are therefore proposing not to cut benefits, but to recover the money from people who are in a better position to pay it. The adjustments we have made to some of the present council tax discounts could help to make this possible.

Mr Mayor, one area of continuing uncertainty for the Council is the cost of employee pensions. The next triennial valuation of the pension fund is due in later this year, and we want as far as possible to anticipate any additional costs that this might bring. Accordingly we have adjusted the MTFS, providing for an increase of £200,000 per annum from 2014/15 onward. This has been calculated by assuming that employer costs will increase by 2% per annum, which is a prudent assumption. However it is still uncertain how the performance of the pension fund and the impact of the Hutton review will affect our pension costs in the future. We will keep this under constant review.

Can I now turn to the planned maintenance programme. Part of the responsibility of the Cabinet Member for Finance is to maintain and care for our assets, particularly the council-owned buildings that are such an important part of the character of the town. In this respect, as in so many others, the Council will not find this budget wanting.

The planned maintenance programme I am putting before you today totals over a million pounds. It includes substantial investments in the Town Hall, the Pump Room, the civic amenity centre, leisure@Cheltenham, Pittville swimming pool, the crematorium and the art gallery and museum, as well as smaller-scale work on a number of other council-owned properties. We have also found small sums of money to honour our history and heritage, by completing the redecoration the Sevastopol war memorial and by repairing the St Peter's War Memorial in time for the centenary of the outbreak of the First World War.

I should also add that maintaining our property assets is just one side of the coin. The other is disposing of surplus assets, in order to reduce our maintenance commitments and recycle capital into new schemes. We continue to do this with considerable success, despite the fact that it is not always popular.

I would like now, if I may, to say a word about reserves.

Sometimes it is very hard to please everybody, even on a matter as seemingly dull as the Council's reserves. The Communities Secretary Eric Pickles recently lashed out at councils for keeping millions in reserves. "It is unacceptable that some councils are stashing away billions, turning town halls into Fort Knox, whilst at the same time threatening to cut frontline services," he declared. He even hinted that the Treasury might confiscate excess council reserves. On the other hand I am constantly reading in Conservative leaflets that the Liberal Democrats on Cheltenham Council are running down the reserves like there is no tomorrow. So rather than attempting to navigate between the Scylla of Mr Pickles and the Charybdis of Cllr Wall, let me explain the philosophy I am following.

We keep two kinds of reserves – earmarked and general. The earmarked funds are kept for particular purposes or to fund particular projects. As the work is done, the money is spent, which is how it was intended to be. For example, it is absolutely right that the Council should have taken money from the Art Gallery and Museum Reserve to fund the AGM redevelopment. It is absolutely right that we should have used the Civic Pride Reserve to help fund pavement improvements in the Promenade. It is right that we should use the Flood Alleviation Reserve to fund flood prevention works. It is also right that we should set up new reserves when they are needed, close down reserves when their purpose is served, and replenish existing reserves as and when the need arises. Managing earmarked reserves well is not about hoarding, it is about forward planning so that we can invest in Cheltenham's future.

The General Reserve, aka the General Fund Balance, is a different matter. This is there to help us cope with unforeseen expenditure. Our policy, on the advice of the Section 151 officer, is that the General Reserve should be kept between £1.5 and £2 million. At the end of the next financial year it is expected to stand at just over £1.6 million, which is within that range. I would like to see it a little higher, and if I get the chance to strengthen and increase the General Reserve at the budget outturn in June, I will ask for the Council's support in doing this. I don't particularly care whether this makes sense to the conflicting ideologies in the Conservative party. It makes sense to me.

Let's me now turn to the Council's investments and borrowing.

In the light of the continued weakness of the economy, it is right to proceed with great caution so far as our investments are concerned.

At a time when investment markets are flat, we have made it a priority to pay off debt as investments mature, rather than re-investing the money. As a result, the Council's short-term borrowing and also the cost of borrowing has fallen significantly over the past few months.

In terms of investments, our overriding concern has continued to be safety. And as the Investment Policy before us today makes clear, that will continue to be the case. Only a very limited range of investment vehicles here in the UK are permitted by the policy, and the period over which money can be invested is also strictly limited.

Making any assumptions about the state of the economy and the markets over the coming months and years is extremely hazardous. However, we will continue to manage our investments actively, constantly looking out for changes in the economy and the financial markets, and evaluating suitable opportunities when they arise.

Can I turn now to our medium-term financial strategy.

In the light of the financial pressures I talked about earlier, it would be entirely wrong to think of this budget as just a one-year fix. Instead we need to see it as part of a longer-term strategy. The cut in Government core funding that we are facing in 2014-15 is a terrifying, eye-watering, £788,000, amounting to 12.7 per cent, and it won't stop there. To balance future budgets over the next five years, we need to bridge a projected funding gap of £3.3 million.

That is why one of the most important changes we are making in the budget process is to develop a detailed, quantified five-year strategy for cutting our costs and maximising our income and bridging our medium term funding gap.

You can see the strategy set out at Appendix 4, but here in summary are some of the initiatives we are proposing to meet the budget challenges of the future.

We are proposing to share our IT service with the Forest of Dean, achieving substantial savings for both councils from 2014 onwards.

We are proposing to establish a trust to run our culture and leisure services. This is a hugely important proposal which I believe has the potential not only to cut our costs, but to bring a greater spirit of enterprise into the way we run our services, increasing business and growing our income. And this is not just pie in the sky, because it now has a detailed strategy supported by a robust business case to take us into the future.

We have also set ourselves the task of achieving further savings in waste management as part of a county-wide Joint Waste Committee.

Our accommodation strategy is also a vital part of our medium-term cost-cutting strategy, and we believe it has the potential to deliver very substantial savings in future years. As we pare down management costs, we can and should save money on accommodation. We cannot sustain a situation where a reduced staff is rattling around in a building here in the Promenade which is much too big for them. That is why we are actively looking at how to cut the costs of our council accommodation, possibly by relocating these offices to more modest premises. Efforts are being made to identify premises that are suitable and affordable.

These are just some of the initiatives we are working on to ensure that our most essential services survive through the next few years, and there many others.

And while I am on the subject of radical changes in the way the Council works, let me mention the subject of the democratic process itself. The way our services are delivered has changed and will change still further. And that means the way that councillors work is changing too. In these circumstances, I believe we have to be prepared to look at how we can adjust to the new reality. That may mean reconsidering the number of councillors we have, the size of the cabinet and committees, and whether we should move to all-up elections.

I don't believe we should be afraid to look at this again. Circumstances have changed dramatically since we last discussed the subject nearly three years ago. One change is the move to a commissioning council, with fewer services directly run by the Council. Another is the unprecedented financial pressure we are now under. Yet another is the growing pressure from the Government for councils reduce the number of members in order to reduce costs.

Now I want to make it clear that I don't regard this kind of change as a passport to huge savings. Cllr Driver seems to have got some local residents a little over-excited by suggesting in her Echo column that half a million pounds would be saved over four years by going over to all-up council elections. And it bothers me a little that she should be able to use her position as an Echo columnist to make people believe such a ludicrous exaggeration. The true figure, stated in a



report which came to Council in 2010, is £100,000 over four years. That's an average of just £25,000 a year.

Nor do I believe that the structure of the Council should be all about money. We need a Council that is large enough to be representative and to work effectively for local people. Nonetheless, I would be the first to say that any saving that can be achieved painlessly is a saving worth looking at. As councillors we can't rule out the possibility of change just because it's we who are affected and not other people.

Cllr Garnham is therefore knocking at an open door with his resolution at agenda item 13. The Cabinet is more than happy to look at the issues he is asking us to look at. There are other issues too that would repay examination, such as the size of the cabinet and committees. And we would want to go further by involving the other groups in cross-party talks on the future shape of the Council.

Can I now finally turn to the Council's capital strategy.

The capital programme I am putting forward to you in this budget is entirely sensible. It proposes a five-year programme of needed investment in IT infrastructure. It proposes investment in play equipment and play area enhancement. It funds investment in CCTV, particularly with a view to making our car parks safer. It continues our programme of carbon reduction and energy-saving by investing in more low energy lighting. It is, however, a shadow of the capital programme we all want to see – the programme that I hope I will be bringing to the Council later this year.

Mr Mayor, this is a time of opportunity for Cheltenham as the Civic Pride initiative comes to fruition.

Cheltenham as a town has existed for about 10 generations. Each generation has faced the task of improving and adding to the glories of Cheltenham, and most have done it with great success and distinction. We in our generation have been given this task in unusually difficult circumstances, in the midst of the worst economic crisis in many decades. But that does not mean we don't have a responsibility to rise to the task.

I totally and emphatically reject the idea that because the national economy is in difficulty, we in Cheltenham should shelve our aspirations for major improvements to our infrastructure. Cheltenham is a town that over the past 250 years has continually reinvented itself to meet new circumstances. Brought to fame by its spa waters, it transformed itself over the years into a retail centre, a commercial centre, a celebrated centre of culture, and a hub of high-skill and creative industries.

The genius of Cheltenham has been to change without losing its character. And the challenge facing us in our generation is to help it do the same.

The way we aim to do this is through partnership and joint endeavour. We want to link developments being undertaken by private developers, like North Place and Brewery phase II, to public realm improvements such as new public squares and green spaces. We want to reinvest a major part of the capital from North Place, Portland Street, Midwinter and other property

disposals to help fund these improvements, as well as protecting and enhancing our existing iconic parks and gardens. At the same time, we want to work with Gloucestershire County Council to modernise the road network and improve public transport using Government funding from Gloucestershire's successful Sustainable Transport Bid.

This masterplan for the town is still work in progress. It would be wrong of me to present a capital programme to you that is based on expectation and hope rather than money we actually have. We have completed the sale of the Midwinter land and banked a substantial capital receipt. However, the North Place and Portland Street sale is still to be completed, and I believe it is right to wait for this before I put an enlarged capital programme before you. But that doesn't mean we are lacking in the vision to transform Cheltenham or that we are not working hard to make Civic Pride a reality.

At the same time, it is an abiding aim of this administration, and I think the whole Council, to invest in our cultural facilities and make Cheltenham a festival town with a global as well as a national reputation. We have already transformed the Art Gallery and Museum, which reopens this summer, bigger and better and fuller of fantastic cultural possibilities. Now the creation of a Leisure and Cultural Trust opens up the possibility of achieving similar improvements for the Town Hall and other facilities. What we have learned from the AGM scheme is that we can use our own capital to attract investment by trusts, the Lottery and the business sector.

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. Being Finance Member is a ghastly job, made bearable, and in some ways even joyful, by the people you work with. First and foremost I would like to thank Mark Sheldon, Paul Jones and the finance team for intelligence they have brought to bear, the hard work they have done and the long hours they have put in. But my sincere gratitude extends much more widely than this.

I have had excellent support from the Chief Executive, both the Strategic Directors and all the Directors in meeting the challenges of this budget. I would also like to pay tribute to my cabinet colleagues for their cheerful support and understanding, and to thank the members of the Budget Scrutiny Group and the Treasury Management Panel from all sides of the chamber for the valuable contribution they have made.

In conclusion, Mr Mayor, let me say this.

Like all councils, we face huge financial challenges. The test will be how we deal with them.

I am proud that we have managed to balance the budget, protect services and freeze council tax this year. It's no mean feat, and one that many other councils have not managed to bring off. Their tax freeze has been at the expense of services.

Now I and the cabinet are looking to the future. With cuts in Government funding on the scale we are seeing, it is almost inevitable that there will be an impact on services next year or the year after. But I am determined we should protect our most cherished services as far as we can. I love this town and what it represents, and I don't want to see its environment deteriorate or its cultural life drain away. I don't want the next few years to become an unrelieved, sorry saga of reductions in services, a slow death by a thousand cuts.

That's why I believe the best way forward is for councillors, officers and people in the town to work together find innovative and positive solutions to our problems. We need to harness our own knowledge and ingenuity to find new ways of delivering local services. This is what this budget is about, not just for this year but for the longer term.

To succeed will take not just a change in organisation but a change in attitude. There will be plenty of people in the town who don't understand why everything can't be the same as it was twenty years ago. But we should have the courage to take the flak, to explain why change is needed, and to persuade people it is right. Above all, we have to be resolute in doing what we know must be done to secure the future of Cheltenham. Mr Mayor and fellow councillors, I commend this budget to you.