

## **Explanatory foreword**

### **Introduction**

At a meeting on 8<sup>th</sup> February 2008, the Council approved a revenue and capital budget proposed by the Cabinet (executive committee) for the financial year 2008/09, which commences on 1<sup>st</sup> April 2008. This was the final stage in the process of setting the Council's budget following a period of consultation.

In determining the final revenue and capital budget proposals for 2008/09, the Cabinet endeavoured to undertake the following:

- Produce a balanced budget.
- Set a budget which requires an increase in council tax for the services provided by Cheltenham Borough Council in line with the rate of inflation.
- Consider feedback from the budget consultation.
- Accommodate some additional service requirements including funding the new national concessionary fares scheme and out of hours responsibilities for dog control which have transferred from the Police Authority.
- Support modest growth and identify areas of savings to address the priorities identified in the emerging Council's Corporate Business Plan.
- Set a budget which continues to tackle some of the risks identified in service areas and the Corporate Risk Register, in response to the embedded process of risk identification and control across the organisation.
- Maintains the link between business planning and the financial planning process.
- Continues to address the issue of maintaining the Council's assets and infrastructure over the next 20 years.

### **Revenue budget – how the 2008/09 budget was agreed**

**Stage 1:** The budget process began by calculating the cost of providing a standstill level of services for 2008/09 (i.e. the same level of service as in 2007/08) allowing for inflation and pay awards.

**Stage 2:** The next stage in the process involved identifying the cost of increasing some service levels and funding new initiatives. The value of bids for funds for the year 2008/09 exceeded the amount of money available hence Councillors have inevitably had to prioritise spending decisions for 2008/09.

**Stage 3:** The Cabinet's budget proposals for 2008/09 were formulated and circulated for consultation in December 2007 to members of the public, the business community, other interested parties, and were also examined by the elected Members at meetings of the overview and scrutiny committees. The consultation period ran for a period of just over 5 weeks from 19<sup>th</sup> December 2007 to 25<sup>th</sup> January 2008. Feedback was provided to the Cabinet through a number of routes including letters, e-mails, an on-line web form via the Council website and overview and scrutiny committees. The responses were taken into consideration when preparing the final budget proposals.

**Stage 4:** The Cabinet's final budget proposals for a balanced budget, a legal requirement, are then recommended to full Council for approval at a meeting to set the budget and council tax level.

## 2007/08 revised budget

Budgets for 2007/08 have been revised to reflect savings in employee cost budgets as a result of staff turnover, vacant posts, additional income, operational savings and a reduction in the amount required to repay debt (Minimum Revenue Provision) which is likely to result in a potential underspend of approximately £686,000 in 2007/08.

The Council approved that the projected underspend be used as follows:

- £66,000 to support completing the Single Status pay review, by making a contribution to the Single Status Reserve in 2007/08 which will be used to fund these costs in 2008/09.
- £485,000 towards the one off staffing costs associated with the 2008/09 budget proposals.
- £135,000 transfer to a reserve to fund future flood resilience work, delegated to the Cabinet for allocation. This utilises the net amount recovered under the Bellwin scheme and from Severn Trent for the management of the flooding emergency and comprises mainly officer time. This figure is still subject to final approval by Severn Trent and the Government

## 2008/09 budget

### Finance Settlement / Planning Delivery Grant / Concessionary fares grant

The Government has undertaken a Comprehensive Spending Review (CSR07) which determines Government levels of funding for the whole of the public sector for the next 3 years. The following table summarises the headline provisional figures for the level of Government support to the Council.

	2008/09 £	2009/10 £	2010/11 £
Revenue Support Grant	1.067m		
Cheltenham's share of Redistributed Business Rates	7.664m		
Formula Grant	8.731m	8.775m	8.819m
Actual cash increase over previous year	0.147m	0.044m	0.045m

The level of government support, based upon a 'like for like' comparison is that grant support will increase by 1% in 2008/09, 0.5% in 2009/10 and 0.5% in 2010/11 (2% over 3 years). The grant for 2008/09 includes an additional £49,667 waste performance and efficiency grant which replaces the Local Area Agreement grant of £100,000 previously received as a separate grant.

Unfortunately, the proposed increases in Government support do not keep pace with pay and price inflation, pension fund pressures or provide full recognition of the costs imposed by new legislation and therefore this represent a real terms decrease in funding.

The finance settlement included separate grant funding for the introduction of **national** concessionary fares for the over 60's and disabled, contained in the table below.

	2008/09 £	2009/10 £	2010/11 £
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Concessionary fares grant	0.525m	0.537m	0.552m
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Whilst the additional grant appears to go some way towards funding the estimated additional costs, the overall funding level does not compensate the Council fully for the actual costs of the concessionary fares scheme.

## **Savings**

### **General approach**

The Medium Term Financial Strategy (MTFS), approved by Council in February 2007, identified a gap of £694,114 for 2008/09 between what the Council would need to spend to maintain services and respond to Government and known service growth pressures and what the Council could afford to spend if the council tax increase is kept down to 2.5% having built in estimates of inflation on the cost of Council services. In October 2007, the MTFS projection was revised upwards to between £0.8m and £1.1m, mainly as a result of the uncertainty around future Government funding levels.

Given the size of the budget gap, a robust approach to the budget setting process was needed in order to set a budget which is acceptable to a majority of elected Members and seeks to deliver the priorities in the corporate business plan.

The “budget gap” presented a huge challenge to the Council. The scope for finding savings by ‘salami slicing’ at the edges of Council expenditure was limited, having taken this approach for a number of years. A longer term and more strategic approach is needed which may, in future, involve changing the way the Council does its business.

### **Cabinet Member Budget Reviews**

Budget review meetings took place to address the following areas of work.

- Review of underspends - the Council has consistently delivered services within budget resulting in annual underspends. This position has been examined to see where expenditure budgets could be reduced or income targets increased without impacting upon the level of service provision.
- Identification of savings - potential areas for savings, with any service implications, were identified for consideration by the Cabinet Members.
- Review of fees and charges - identify the potential for an increase in fees and charges above inflation making comparisons with the competition / neighbouring authorities.

### **Identification of non priority areas for further savings**

The Cabinet was keen to target necessary savings rather than to apply a blanket wide approach. As such, the Cabinet identified non priority areas where target savings were proposed. The Directors and Assistant Directors worked with Cabinet Members to deliver

savings in these areas which were approved by council and are in table 1.

## **Government savings target**

As part of the Comprehensive Spending Review, the Government has set new targets for delivery of efficiency gains in local government requiring councils to find 3% cashable efficiency savings annually, double the previous level of cashable savings.

The targets have yet to be calculated by the Government.

It is assumed that, in line with the previous regime, cuts in services cannot count towards the target. The previous guidelines issued by the DCLG provided an approach to measurement which suggested that savings are a measurement of efficiency. The process aims to measure increases in productivity and enhanced value for money using the following criteria:

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

Based upon the assumption that the basis of measurement will be the same as the previous regime, an initial assessment of the savings identified within the budget would indicate that efficiency savings in the order of £838,500 will be delivered through the process of setting the budget highlighted are in table 2.

## **Procurement strategy and savings**

The Council's procurement strategy complies in full with the national procurement strategy and all audit recommendations to ensure that procedures meet current best practice.

Improved procurement since 2006 has achieved in excess of £850,000 in savings over the full term of all the contracts secured to date. But whilst all contracts are fixed term, the savings achieved are long-term as they result in a permanent reduction in the base budget which so far exceeds £260,000 per annum.

The annual procurement savings target remains at £100,000. The opportunities for such large savings are limited and thus the annual target will become increasingly difficult to hit. However smaller projects can still produce significant returns e.g.

- the town centre CCTV contract saved around £6k per year, and
- the cash collection contract saved around £6k per year.

A two year bilateral procurement partnership with Gloucester City Council was created to share procurement skills and activity. During this period the knowledge and experience gained together with achievements, have been considerable. The Council continues to work in partnership with other councils to gain better economies of scale and is an active member of the Gloucestershire Procurement Partnership. It has also gained a regional reputation for its pioneering work in the use of electronic reverse auctions.

Table 3 shows the procurement activity which has taken place during the two year period, not all of which can be directly attributed to the procurement team. Some has been service based and therefore the savings achieved have been attributed to individual service savings targets. However, the picture appears extremely positive.

The procurement work plan for 2008/09 is being drafted to achieve the budgeted target of

£100,000 of savings. The programme will include the procurement of office furniture, printing, advertising, gas and electricity.

### **Growth / additional cost of current service levels**

The Council supported the Cabinets recommendations for modest level of growth (table 4) directed towards achieving several of the Council's key corporate objectives, including new statutory requirements. The following summarises some of the most significant issues in respect of growth.

### **Concessionary Fares**

On 1st April 2008, the Government is introducing a national free off-peak concessionary bus travel scheme for the over 60's and the disabled, allowing any eligible UK resident to travel on registered local services. Under the new scheme, the Council will pay for all eligible UK residents where journeys start in Cheltenham between 9:30am and 11:00pm. The Government has provided a specific grant of £525,000 to fund the scheme. The Council currently enhances the existing scheme for Cheltenham residents by offering free travel between 9:00am and 9:30am and travel across the county.

The additional grant would appear to go some way towards anticipated costs but the Council is still in a position where the shortfall in overall funding remains at around £600,000 per annum. The cost of the current scheme budgeted at £1.2m and with the additional funding of £525,000 the budget for concessionary fares for 2008/09 will be £1.725m.

### **CBH cleaning**

Currently the Council undertake cleaning responsibilities in communal areas in and around council houses. Given the pressure on the depot team arising from new recycling activities it was agreed that the team should focus on these core activities and no longer provide the cleansing service for Council owned properties. This will, from 1<sup>st</sup> April 2008, be provided by Cheltenham Borough Homes. The financial implication of this, a loss of income of £48,000 from the Housing Revenue Account to pay for the service is factored into the base budget for 2008/09.

### **Land Charges**

New guidance around land charges requires the Council to ensure that it does not make a profit from land charges over a three year period. As a result, the Council has reviewed the component parts of the land charge fee structure but the overall charge remains the same. The downturn in the housing market and the impact of personal searches has impacted significantly on the mix of land charge transactions undertaken. A reduction in the level of fee income of around £138,000 has been factored into the base budget projections for 2008/09 to reflect this.

### **Members' allowances**

In March 2007, the Council approved recommendations from an independent remuneration panel to increase Members' allowances above inflation. Although not built into the base budget for 2007/08, agreed in February 2007, the additional cost of £50,000 has now been built into the revised budget for 2007/08 and the base budget projections for 2008/09. A second report from the independent panel was considered by Council in December 2007. The panel reported that Members' allowances were now pegged at the right levels and

recommended an inflationary increase for 2008/09, which was approved by Council.

### **Environment Agency (EA) contract**

The Council was recently invited to bid for the EA Main River Maintenance contract for works. Officers considered the volume of work and cost of complying with the contract specification and advised that it would not be cost effective for the Council to put in a bid. There was also a legal question about whether the Council had the powers to undertake the contract as proposed. As a result, no bid has been made resulting in lost income of £20,000.

### **Treasury Management**

As in previous years, a significant level of income is derived from management of daily cashflow surpluses and funds managed by Officers.

Projections are based upon the management of funds in house following the drawdown of investment from fund managers which have resulted in higher rates of return to the Council. Officers are estimating returns of 5.5% on investments for 2007/08 revised budgets and 5.3% for 2008/09. The Council's long term borrowing portfolio of £41.9m assumes an average borrowing rate of 4.42% for 2007/08 and 4.4% for 2008/09.

### **Single Status**

In 1997, national agreement was reached between the National Employers and recognised trade unions upon the need for all local authorities to move towards the harmonisation of terms and conditions of employment of the former manual workers, and former white collar workers. This harmonisation process was also intended to support the principle of ensuring equal pay for all employees.

The 1997 Agreement (more commonly referred to as 'Single Status') was further strengthened by the 2004 nationally negotiated pay award which represented a 'package' of change. One element of that package was that all local authorities should have completed their local pay reviews by April 2007.

The single status process is almost complete and pay modelling has been undertaken based upon the outcomes of the job evaluations which have established the outcome for individual staff and identify the overall transitional costs of implementation. The Cabinet's view remains that this should be achieved on a cost-neutral basis in the long term but recognise that there will be short and medium term costs which need to be budgeted for. The Council has already set aside £957,000 for the transitional cost of single status.

### **Pensions**

The Council's pension fund has been subject to triennial revaluation by the pension fund actuary. This has resulted in an increase in the contribution rate from 22.5% to 25% with effect from 1<sup>st</sup> April 2008. The increase in rate is as a result of the increases in longevity and the impact of a renegotiated pension scheme. The increases were anticipated and factored in the Council's MTFs hence the revaluation places no further burden on budgets over and above that already assumed.

### **Local Authority Business Growth Incentive (LABGI) Scheme**

The Council's efforts to grow its business revenues base have been rewarded over recent

years by additional funding in the form of LABGI scheme grant. Whilst the amount to be distributed is still to be determined, the best estimate of what the Council may receive is in the order of £500,000 from LABGI in 2007/08 for use in 2008/09.

The Cabinet is keen to see continued investment into stimulating economic development and funding both Civic and Parish Pride initiatives in the town. The detailed spending proposals, including allocations for 2008/09 agreed in February 2007, on which stakeholders were consulted, are summarised at table 5.

## **Fees and charges**

The Council approved proposals to increase fees and charges in line with inflation based upon RPIX at September 2007, in order to deliver an inflationary increase in income targets with the following exceptions:

**Parking charges:** The Council has been actively pursuing a policy which encourages people to use other modes of transport in preference to the car in accessing the town centre. This appears to have been successful and, coupled with the significant take up of free off peak travel for the over 60's and disabled, internet shopping and the impact of our competitors has led to a year on year reduction in the use of Council owned car parks. However, it is the view of the Cabinet that car parking charges are at peak levels and should be frozen for 2008/09. The only exceptions to this are the final proposals to freeze parking permit charges for residents on Council owned car and increasing charges above inflation at Coronation Square.

**Cemetery and Crematorium charges:** A detailed review of cemetery and cremation charges was undertaken as part of the 'bridging the gap' work. It is clear from this work that Cheltenham's charges are well below the average of other authorities in the group comparison. As such the cremation fees for 2008/09 will be increased above inflation. Charges will still be in line with neighbouring authorities.

A complete list of current and proposed fees and charges are listed at Appendix D.

## **Corporate business planning and Medium Term Financial Strategy**

The Council has made great strides to improve long term financial planning and, specifically, to improve the link between the business planning process and the Medium Term Financial Strategy (MTFS). The 2008/09 planning cycle once again used the Priorities Assessment Tool (PAT) process which seeks to measure investment proposals against the Council's business plan.

The production of the MTFS is included as part of the interim budget proposals. This builds upon the best estimates of future financial pressures facing the Council based upon the most recent information available.

The MTFS approved by Council in February 2007 identified an approximate funding gap of £694,114 for 2008/09 and future funding gaps of around £698,224 in 2009/10, £409,291 in 2010/11, £408,837 in 2011/12 and £505,659 in 2012/13.

The MTFS has been revised to reflect latest projections of both funding levels and funding pressures and annual inflationary increases in council tax of 2.5% over the period of the MTFS 2009/10 to 2013/14. The projections assume that each year's funding gap is met from savings or additional income and now build, in the levels of government support over

the next three years, confirmed as part of the outcome of CSR07. This will now at least allow the Council to tackle the next few years' budgets with certainty of knowing what the level of grant is and will assist in long term planning. The latest estimates which now include the actual grant levels over the next 3 years is that the funding gap, over the next 5 years, is just over £2.6m.

It is the Cabinet's view that the Council will need to be radical in its approach to service delivery in order to meet this funding gap and will need to consider what long-term changes will make the Council more efficient and better able to deliver the services people want at an acceptable price.

The Cabinet can consider future increases in council tax levels in excess of the desired inflationary levels up to the Government's current capping limit of 5%.

### **Bridging the Funding Gap**

A 'Bridging the Gap' (BtG) officer group has been set up and has identified various strands of work which may address both the short term funding gap and the longer term savings targets.

Various service reviews are underway which will examine how services are provided in order to seek improvements, efficiencies and reduce costs. This work is ongoing but already has identified the potential to increase fees and charges at the cemetery and crematorium whilst still remaining comparable with neighbouring authorities. Some initial increases are built into the budget.

The group also identified the need to set targets for specific work streams. The group developed a set of targets to assist both Officers and Members in developing work programmes to deliver savings or additional income which help to bridge the funding gap, avoiding the annual process of identifying savings.

The Government has set new and increased targets requiring councils to find 3% cashable efficiency gains per annum over the period 2008/09 to 2010/11. Whilst some of the savings in the interim budget proposals will count towards this target i.e. do not impact on the level of service, the BtG group will consider how to take forward the efficiency agenda and meet the increased targets.

### **Planned Maintenance / Capital programme**

The Cabinet is keen to invest in the fabric of the town i.e. publicly owned buildings and facilities and the council supported proposals to maintain the spending on the planned maintenance programme as planned in 2008/09.

The Council's property portfolio is considerable and the cost of maintaining the assets has for some time been identified as a real issue for the Council since there are insufficient funds to maintain the existing portfolio into the future without further increasing the burden on council tax payers. The Cabinet's approach to asset management is to rationalise, improve the rate of return or to remove, as far as possible, the cost of maintenance and management of the Council property portfolio on the budget.



**What makes up your council tax bill?**

The Council also bills residents of Cheltenham for the council tax to fund the services provided by Gloucestershire County Council and Gloucestershire Police Authority, which amounts to approximately 87% of the total council tax bill. A breakdown of the average band D council tax bill for 2008/09, compared with that for 2007/08, is shown below:

2007/08	2007/08	2008/09	2008/09
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	<b>Budget £</b>	<b>Band 'D' tax £</b>	<b>Budget £</b>	<b>Band 'D' tax £</b>	<b>Rise £</b>	<b>Ris e %</b>
Cheltenham Borough	7,045,331	171.25	7,376,406	177.24	5.99	3.50
Glos. County Council	40,648,526	988.02	43,130,783	1,036.37	48.35	4.90
Glos. Police Authority	7,384,469	179.49	7,842,773	188.45	8.96	4.99
<b>Total Band 'D' tax</b>	<b>55,078,326</b>	<b>1,338.76</b>	<b>58,349,962</b>	<b>1,402.06</b>	<b>63.30</b>	<b>4.73</b>

In addition the local Parish Councils levy a charge on residents within their parish to cover the provision of local services. The following table shows the average council tax for the parishes of Cheltenham.

<b>Parish</b>	<b>Parish Budget £</b>	<b>Parish Band 'D' Tax £</b>
Charlton Kings	41,000	<b>9.80</b>
Leckhampton	24,250	<b>13.22</b>
Prestbury	52,475	<b>18.03</b>
Swindon	9,000	<b>12.74</b>
Up Hatherley	23,350	<b>10.09</b>

The following table summarises the total council tax for Cheltenham Borough Council, including parishes, Gloucestershire County Council and the Gloucestershire Police Authority for each of the property bands.

<b>Part of the Council's area</b>	<b>Valuation Bands</b>							
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>Band</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Charlton Kings</b>	941.23	1,098.11	1,254.99	<b>1,411.86</b>	1,725.61	2,039.36	2,353.09	2,823.72
<b>Leckhampton with Warden</b>	943.51	1,100.77	1,258.03	<b>1,415.28</b>	1,729.79	2,044.30	2,358.79	2,830.56
<b>Prestbury</b>	946.72	1,104.51	1,262.31	<b>1,420.09</b>	1,735.67	2,051.24	2,366.81	2,840.18
<b>Swindon</b>	943.19	1,100.40	1,257.60	<b>1,414.80</b>	1,729.20	2,043.60	2,357.99	2,829.60
<b>Up Hatherley</b>	941.43	1,098.34	1,255.25	<b>1,412.15</b>	1,725.96	2,039.77	2,353.58	2,824.30
<b>All other parts of the Council's area</b>	934.70	1,090.49	1,246.28	<b>1,402.06</b>	1,713.63	2,025.20	2,336.76	2,804.12

## Council Tax levels – 2008/09 quick guide

**Why has my council tax gone up, how is it worked out and what improvements am I likely to see?**

### Why has your council tax gone up?

Your council tax bill shows you how much your bill has increased since last year. The majority of the council tax you pay goes towards county-wide services provided by Gloucestershire County Council and Gloucestershire Police Authority.

For 2007/08 the breakdown of the average bill is as follows (based on a band 'D' property):

	2007/08 £	2008/09 £	Increase per year £	Increase per week £	Percentage Increase
Gloucestershire County Council	988.02	1,036.37	48.35	0.93	4.90%
Gloucestershire Police Authority	179.49	188.45	8.96	0.17	4.99%
Cheltenham Borough Council	171.25	177.24	5.99	0.12	3.50%
Total (excluding parishes)	1,338.76	1,402.06	63.30	1.22	4.73%

### How do we calculate your bill?

The budget and level of council tax required for Cheltenham Borough Council was agreed by local councillors at a meeting on 8<sup>th</sup> February 2008 and is based on the amount needed to provide the services and one-off projects which have been identified as a priority for the town, which for 2008/09 will cost £16.1m. These costs are partly funded by Government grant of £1.1 million, a £7.6m share of the local business rates collected by the Council and paid to the Government, leaving a balance of £7.4 million to be collected through council tax. The amount you pay is calculated by dividing that amount by the tax base (41,617 taxable band D equivalent properties) in the Borough resulting in a tax of £177.24 for the services provided by Cheltenham Borough Council.

### The Council's vision

Our 20 year vision statement sets out our inspirational goal for the long-term future of Cheltenham.

**We want Cheltenham to stand for a sustainable quality of life, where people, families, their communities and businesses thrive; but in a way which cherishes our cultural heritage and does not compromise the quality of life of future generations.**

### Council Priorities for 2008/09

The Council's Corporate Plan sets out how the Council is going to deliver on the issues that matter most to the local people and supports the Community plan developed through a partnership of local key service providers.

The Council is committed to delivering good quality services but recognises that providing such a wide range of services within its scarce resources is difficult. The budget and council tax setting process has been assisted by the Corporate Plan which identifies priority issues for the town.

The council's priorities for next year are:

- Promoting community safety
- Promoting sustainable living
- Developing a strong and sustainable economy
- Building healthy communities and supporting older people
- Building stronger communities and supporting housing choice
- Focusing on children and young people
- Investing in environmental quality
- Investing in travel and transport

- Investing in arts and culture
- Striving to be an excellent, efficient and sustainable council

### **What are you getting for your £177.24 per year (average Band D property)?**

The increase in your council tax for services provided by Cheltenham Borough Council is £5.99 per year or 12p per week and the average charge of £177.24 is the smallest element of your overall council tax bill. The additional money raised will be used to help fund improvements to a wide range of services including the following:

- Additional funding to meet the cost of national free off-peak bus travel scheme for older and disabled people;
- Enhancement of recycling schemes through the purchase of wheeled bins for garden cuttings;
- Provision of multi use games areas sited at Brizen Recreation Ground, Sandford Park, Naunton Park and Oakley;
- Opening of the Art Gallery & Museum on Sundays;
- Freeze on car parking charges;
- 3 new apprenticeships to work in parks and gardens (2) and fleet management (1);
- Permanent funding to support the current level of planning appeals in respect of garden developments;
- One off funding to support economic development, civic pride and cultural activity.

In addition, the Council is investing in the town's infrastructure by continuing an investment programme in the towns car parks; maintenance of public buildings and spaces including the refurbishment of leisure@cheltenham (to include new health and fitness equipment and a new leisure management system); provision for a replacement pod for young people at Brizen Recreation Ground; provision of affordable housing and continued regeneration using partnerships with Registered Social Landlords.

The Council's total budget funds a wide range of services which contribute to the economic success and vibrancy of Cheltenham and enhance the quality of life for the residents of Cheltenham. In 2008/09 the Council will continue to provide funding for:

- Town Hall and Pittville Pump Room.
- Support to the Everyman and Playhouse Theatres.
- Support for the internationally acclaimed Music, Literature, Jazz and Science Festivals. (worth over £3million annually to the local economy)
- Christmas lights.
- leisure@cheltenham facility, Prince of Wales running track, sports pavilions and holiday sports activities for children.
- Maintenance of parks and open spaces including award winning floral displays.
- Maintenance and replacement of children's play equipment in parks.
- Shop mobility scheme for disabled people.

As well as undertaking the basic services including:

- Emptying bins, kerbside recycling and funding for the recycling centre at Swindon Road.
- Street cleaning and maintenance of street furniture.
- Planning and building control function for new development
- Issuing of licences including new powers to control liquor licensing.
- Protecting the public through health inspections of premises selling food to the public.
- Maintaining the electoral register and running local elections.
- Tourism information (accounts for 4300 local jobs and worth £148million annually to the local economy).

- Benefits services for those in need of support.
- Provision and maintenance of public conveniences.
- Cremation and burial service.
- Residents parking schemes.
- Support for voluntary, community and vulnerable groups, including the homeless.

**A more detailed explanation of the services and their cost appears later in this document.**

***Looking ahead ... the financial outlook facing the council over the next 5 years.***

The council is likely to face some difficult years ahead as a result of reducing government funding and increasing pressures on budgets resulting from a number of factors. This commentary summarises the complex range of issues facing the council which may have an impact on the level and type of service delivery undertaken by the council in the future.

***How are local services paid for?***

The council's net budget, the difference between income and expenditure on services for 2007/08, is around £16m. This is financed by around £1m of government grant, around £8 from the share of local business rates (the council collects around £34m which it sends to the government for re-distribution back to local councils) and around £7m from council tax.

### ***Current estimate of Medium Term Financial Strategy (MTFS) funding gap***

Each year, the council faces increases in costs for pay and inflation of approximately £1m but income from increases in fees and charges council tax generate approximately only an additional £0.5m, leaving a funding gap of £0.5m before the council even consider funding new or improved services. The council's financial forecasts over the next 5 years currently identify a gap of around £2.6m between the funding available and what the council needs to spend in order to maintain existing service levels and fund some modest growth. This assumes that council tax increases are contained within Government capping limits which are currently 5% and, for 2009/10, would mean that the council would have to limit any council tax increase, for service provided by Cheltenham Borough Council, to £8.86 per year or 17p per week. The funding gap is as a result of the following factors.

### ***Comprehensive Spending Review 2007 (CSR07)***

The Government is undertook a major review of spending in 2007 called the comprehensive spending review or CSR07 which will determined spending plans for the period 2008/09 to 2010/11. This review moved funding towards Government priorities and resulted in a reduction in funding to local authorities. The grant support to local authorities increased by 1% in 2007/08 over 2006/07 levels and will increase by only 0.5% or £44,000 over the next 2 years. Over the past decade, whilst education and health have received record levels of 60-90%, government support for other local authority services has only increased by 14% in real terms over the same period. Despite this, local authorities have led the public sector in delivering efficiency savings but have struggled to fund the new demands and burdens from Government e.g. increased waste recycling rates and free bus travel for over 60's.

The Local Government Association, which represents local authorities, has assessed the increase in government funding required in order to deliver the agenda for local government, assuming an annual increase in council tax of 3.6% for the next 3 years, to be 8.9% in 2008/09, 6% in 2009/10 and 5.9% in 2010/11. Any additional support under these figures will undoubtedly put significant pressure on local government to deliver services.

### ***National travel scheme for over 60's***

The Government is keen to see an increase in the use of public transport and, in particular free bus travel for the over 60's. In 2006/07, the council introduced a local scheme which provides free travel within county boundaries for which the Government provided additional funding which was insufficient to pay for it. The actual cost of the scheme is around £1.2m for which the council received an additional government support of £520,000, leaving a funding gap in 2006/07 of approximately £680,000 to be funded locally. From 1<sup>st</sup> April 2008, the Government introduced a free national travel scheme for over 60's allowing them to travel on buses anywhere in the country. The potential funding shortfall for this is causing much concern for the council and may put further significant pressure on budgets and impact on the delivery of other services.

### ***Waste and recycling***

The desire for increased recycling is to be applauded but the cost of providing additional recycling facilities in order to meet the Government target of increasing recycling from 27% to 40% by 2010 is of concern.

### ***Pension fund performance***

Employees of the council are, under their conditions of employment, entitled to a pension. The council's pension fund, which pays for this is, like all organisations up and down the country, has a funding shortfall. The next revaluation will be undertaken in 2010/11 to assess both the value of the fund and the liabilities against it and will determine the level of surplus or deficit. As a result of the performance of the fund, the increase in mortality and the revision to the pension scheme, the council may face an increase in the employer's contribution rate and costs which may impact further on the council's budget over and above that which is already factored in.

### ***Cost of maintaining the town's infrastructure***

The council has a significant property portfolio including the Town Hall, Pittville Pump rooms, Municipal Offices and the Art Gallery and Museum. As well as funding the increasing costs of maintaining these buildings, the council has aspirations to improve and invest in them. The council does not currently have the resources to finance this and is looking at ways to achieve the aspirations without increasing the costs met by the council tax payer. However, it is just not possible to maintain a large property portfolio and have low levels council tax increases hence some radical approaches to property management and ownership are likely to have to be considered made over the next few years.

### ***Savings targets***

The council has worked hard to deliver significant savings over recent years in order to keep council tax increases down and to meet additional costs of the government initiatives. Over the past 3 years, the council has made savings of £670k in 2005/06, £483k in 2006/07 and £1.6m in 2007/08. The council is unlikely to be able to deliver further savings without significantly affecting service delivery, since most routes have already been exhausted. Whilst the council is pursuing options for alternative delivery mechanism, it may not deliver the levels of savings required within the short term hence the council may be faced with having to make some difficult decisions in order to balance the books.

### ***Council tax levels***

The Government would like to see council tax levels in line with inflation and indeed, locally, the current administration wishes to see council tax increases kept at inflationary levels of increase.

Hence, to summarise, the funding pressures outlined are likely to mean that the funding gap is around £2.6m and the council faces some serious challenges in 'bridging the gap'.