

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16**1. Introduction**

- 1.1 The Medium Term Financial Strategy (MTFS) is the council's key financial planning document. It sets out, and considers the financial implications of the council's, objectives and priorities. The aim of the MTFS is to ensure a stable and sustainable financial position that will allow the council to achieve its vision, aims and ambitions over the next 5 years.
- 1.2 The council is committed to maximising the use of scarce resources and directing resources towards its priorities whilst keeping council tax at an affordable level. The MTFS is reviewed regularly and reported to Members during the budget process and at budget setting annually.
- 1.3 The council has, for many years, incorporated a national requirement for the identification of efficiencies (Gershon savings) within its corporate planning and decision-making processes in line with Government targets.
- 1.4 The identification of efficiencies and other savings (including increases in fees and charges) has enabled the council to reallocate available resources to achieve the introduction of new or enhanced services (e.g. concessionary fares and new recycling initiatives).
- 1.5 The purpose of this document is to formulate a financial strategy which will guide the management of the council's finances during a period of very tight external financial constraint. The strategy considers the factors and influences on the council's resources.
- 1.6 This year's review is once again overshadowed by the national economic climate. The council faces a major challenge in managing the impact of the recession on budgets and services, including the impact of falling interest rates coupled with tight government grant settlements. Most of the issues had already been anticipated but not to the extent now being experienced.
- 1.7 The strategy covers the period 2010/11 - 2015/16 and sets out the resource issues and principles that shape the budget; identifies current issues and considers potential developments / related issues that are likely to provide the basis for future revenue and capital budgets.
- 1.8 The Housing Revenue Account (HRA) is not included, as a separate budget and Business Plan is produced for the HRA to cover its planning processes.

2. Links to other Council Plans

- 2.1 Cheltenham Borough Council's Business Plan 2007-2010 was agreed in March 2007 and set out our three year aims and their supporting ambitions.
- 2.2 Since then the council has agreed three annual business plans with milestones, targets and risks and a separate Medium Term Financial Strategy (MTFS), which is for a five year period and updated annually.

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- 2.3 The next plan will run from April 2010 and it is proposed that the council adopts a Corporate Strategy that has a more explicit link with the MTFS which would be for a five year rolling period. This new over-arching long term strategy would provide a framework for the annual budget and action plan which would be reviewed and updated annually.
- 2.4 The council has begun the process of developing the new strategy and elected members, officers, key partners, community groups and local businesses have been involved in shaping how the new draft strategy should look and the key issues we need to focus on. A consultation draft was agreed by cabinet on 8th December 2009.
- 2.5 As part of the development process, we took advice from the Improvement and Development Agency for local government who told us that we have been trying to do too much and that we should use the opportunity of the new corporate strategy to reassure ourselves that we have the financial and staffing capacity to deliver our ambitions.
- 2.6 We have therefore agreed that we should move to fewer high-level objectives to help us be clearer about our priorities and that these objectives must reflect the reality of community needs and provide a framework for community outcomes.

Our proposed objectives

- 2.7 The draft strategy is proposing that the council adopts three community objectives:
- Enhancing and protecting our environment
 - Strengthening our economy
 - Strengthening our communities
- 2.8 These are supported by two cross-cutting objectives of:
- Enhancing the provision of arts and culture
 - Ensuring we provide value for money services that effectively meet the needs of our customers

Our proposed outcomes

- 2.9 The outcomes are critical in that they describe the improvements we will make to improve the well-being of the whole population of Cheltenham. By putting outcomes centre-stage in our strategy, we are making a commitment that our customers and communities will judge us by how well we are improving the quality of life rather than other measures of success.
- 2.10 Some of these outcomes we will be able to deliver by ourselves, but for many other outcomes we will have to work in partnership with other organisations.
- 2.11 From the consultation activities and the needs analysis we are proposing a set of outcomes the council should be focusing on.

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Objectives	Outcomes
Enhancing and protecting our environment	Cheltenham has a clean and well-maintained environment
	Cheltenham's natural and built environment is enhanced and protected
	Carbon emissions are reduced and Cheltenham is able to adapt to the impacts of climate change
	Cheltenham has improved access and travel options
Strengthening our economy	Cheltenham is able to recover quickly and strongly from the recession
	We attract more visitors and investors to Cheltenham
	Unemployed people are able to access employment and training
Strengthening our communities	Communities feel safe and are safe
	People have access to decent and affordable housing
	People are able to lead healthy lifestyles
	Our residents enjoy a strong sense of community and are involved in identifying and resolving local issues
Enhancing the provision of arts and culture	Arts and culture are used as a means to strengthen communities, strengthen the economy and enhance and protect our environment
Ensuring we provide value for money services that effectively meet the needs of our customers	The council delivers cashable savings, as well as improved customer satisfaction overall and better performance through the effective commissioning of services

2.12 The role of the MTFS is to support the delivery of the council's vision, aims and ambitions. A key delivery driver for this to be achieved is through joint plans with partners and stakeholders alike which are detailed in section 8 below.

3. Financial Projections – Revenue Resource Requirements

3.1 The key aim of the MTFS is to develop a series of financial projections to determine the longer term financial implications, in order to deliver the aims set out in the council's business plan.

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- 3.2 As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities and previous decisions. This is then measured against the projection of available funding to determine affordability. The package of measures required to equalise the two forms the financial strategy to 'bridge' the funding gap for each financial year.
- 3.3 The projections of the funding gap based on council tax increases of 2.5%, 3.5% and 5% are shown in Table 1.

Table 1: Projection of Funding Gap

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		16,753,397	16,085,232	15,909,393	16,137,457	16,371,726
Increased costs of existing services						
General Inflation	150,000	200,000	200,000	200,000	200,000	200,000
Employee related expenditure	396,100	206,100	413,400	421,700	430,200	
Pension costs - 2004 Revaluation	50,000	50,000	50,000			
Pension costs - 2007 Revaluation	65,500					
Pension costs - 2010 Revaluation	278,500	278,500	278,500			
Landfill Tax	40,000	40,000				
DEFRA funded vehicles		70,000				
Maintenance of watercourses, streams and ditches		30,000				
Income						
Fees and Charges	(328,200)	(336,800)	(345,500)	(354,100)	(362,900)	
Investment Income	30,200	(1,400)	(4,300)	(9,000)	(4,600)	
Minimum Revenue Provision	146,500					
Reserves						
Property repairs & renewals fund	125,000	200,000	200,000	182,000		
RCCO	75,000					
Projected Net Cost of Service	16,753,397	17,781,997	16,821,632	16,701,493	16,578,057	16,634,426
Government Grants	(8,841,359)	(7,957,223)	(7,559,362)	(7,559,362)	(7,559,362)	(7,559,362)
Collection Fund surplus	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)	(33,500)
Council Tax (assumes 2.5% increase)	(7,878,538)	(8,094,509)	(8,316,531)	(8,544,595)	(8,778,864)	(9,019,507)
Projected Funding Gap	-	1,696,765	912,239	564,036	206,331	22,057
Cumulative Funding Gap	1,696,765	2,609,004	3,173,040	3,379,371	3,401,428	
Funding Gap Projections:						
Council Tax (assumes 3.5% increase)	1,617,795	828,144	474,568	111,228	(78,951)	
Cumulative Funding Gap	1,617,795	2,445,939	2,920,507	3,031,735	2,952,784	
Council Tax (assumes 5.0% increase)	1,499,338	699,035	334,080	(41,404)	(244,541)	
Cumulative Funding Gap	1,499,338	2,198,373	2,532,453	2,491,049	2,246,508	

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

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16**4. Key Assumptions****General**

- 4.1 The net cost of services has been estimated by using the 'approved' 2010/11 base budget (subject to council approval on 12th February 2010) as the base for future projections through to 2015/16.
- 4.2 General Inflation on supplies and services, energy costs, and non-domestic rates has been projected based on previous detailed information. Gas and electricity prices will remain static until the contracts come up for renewal at the end of October 2011. Currently, it is not anticipated that the council will be subject to significant price rises at this time given that prices were at their peak when the last contracts were tendered. Obviously there are no guarantees given that prices are entirely market driven but the feedback coming from the company that run the council's tender have been positive in this respect.
- 4.3 The retail cost of fuel is heavily linked to the global cost of oil and the Dollar/Sterling exchange rate. The recent high global cost of oil has now been mitigated somewhat and current prices, although still fluctuating, are below their peak of 2008.
- 4.4 Major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement.

Employee related costs

- 4.5 In line with the pre-budget report (PBR) a 1% cap on public sector pay settlements in 2011/12 and 2012/13 are factored into the projections. Pay settlements for the years 2013/14 to 2015/16 are estimated to be 2% per annum. An additional 0.5% increase in employer national insurance contributions has been applied from April 2011.
- 4.6 An allowance has also been included for incremental progression in 2011/12 as a result of single status. The net cost of service assumes an employee turnover saving of 3% of gross pay budget.
- 4.7 The council is part of the Gloucestershire Pensions Fund, which is administered by the County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary.
- 4.8 The most recent triennial revaluation of the Fund was based on the position as at 31st March 2007, the results of which were formally published on 31st March 2008. The valuation found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date.
- 4.9 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 75.3% (compared with 68.4% in 2004), with a shortfall of £34.6m. The fund actuary is aiming for this deficit to be recovered over a 20

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year period, giving a target contribution rate for the council (for this three-year valuation period) of 25.0%. This consists of:

- a 14.65% future service rate which should cover the liabilities scheme members build up in the future, plus
 - a 10.35% past service deficit contribution to cover the shortfall in the fund.
- 4.10 The net pension fund liability as at 31st March 2009 is £37.081m as reported in the 2008/09 Statement of Accounts.
- 4.11 In order to smooth out the impact on taxpayers for the increase in contributions, an earmarked reserve is used to phase in these increases.
- 4.12 The council receives an annual report which projects the pension fund position forward taking into account changes in both member profile and performance of the fund. The latest report, which provided a position statement to August 2009, suggested that due to the significant fall in the stock markets and the expectation of increasing inflation, the funding level has dropped from an estimated 75.3% at 20th March 2007 to 53.4% at 28th August 2009.
- 4.13 The PBR announced reforms to public service pensions from 2012/13 onwards whereby employer contributions to local government pensions will be capped. Cost increases below the cap will be shared equally between employers and employees, and those above the cap met solely by employees. The Government also expect those earning the highest salaries to pay a greater contribution towards their pension. It is unclear at this stage what cap will be set and we await further confirmation from the Government.
- 4.14 Following recent events, the Section 151 Officer has discussed the current position with the actuary who has indicated that, given the uncertainty over this area of activity future projections of potential increases in contributions are based on 2% per annum over a 3 year period from 1st April 2011 (i.e. 6% overall) are still a reasonable set of assumptions to make.

Landfill Tax

- 4.15 Central Government has applied a cost escalator for landfill tax which increases the cost of commercial waste disposal by £8 per tonne, year on year until 2012/13. Although factored into the projections at £40,000 per annum, it is worth noting that all commercial operators will face the same cost challenge. It is not unreasonable, therefore, to expect the market to stand an above inflationary increase in fees to cover this additional cost. This does not give the Authority a disadvantageous cost structure compared with the local competition.

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- 4.16 In 2005 DEFRA funded the acquisition of 3 refuse collection and recycling vehicles. The working life of the vehicles has been extended and is now due for replacement in 2012/13. The MTFS assumes a sum to fund the leasing cost of their replacement.

Flood Resilience

- 4.17 The council was successful in applying for a one-off grant to deal with restoration work following the July 2007 floods. In setting the 2009/10 budget, the Cabinet decided that £90,000 of the grant should be earmarked for the maintenance of watercourses, streams and ditches over a three-year period. Given the desire to ensure maintenance continues, funding will need to be built into the base budget from 2012/13.

Fees and Charges

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

Treasury Management

- 4.19 Investment income from cash investments falls over the MTFS period. This trend was acknowledged in the previous MTFS and is largely due to cash balances (i.e. ear-marked reserves) being consumed, essentially to finance the council's capital programme and to fund property maintenance, single status and increased pension contributions. Whilst there is an option to take out prudential borrowing, it has been assumed for MTFS purposes that the capital programme will continue to be financed from capital receipts, grants (including S106 developer contributions), and revenue contributions and that borrowing will only take place if absolutely necessary.

Minimum Revenue Provision

- 4.20 In light of the most recent developments surrounding the likely returns from Icelandic investments, the council has applied for capitalisation direction of £4.430m which will allow the council to spread any potential losses over 20 years. The annual cost to the council (known as the Minimum Revenue Provision) is £221,500 and is likely to impact on the councils budget from 2011/12. The interim budget proposals for 2010/11 have already set aside £75,000 towards this provision and the remainder has therefore been factored in as a cost in 2011/12.

Capital / Property Maintenance

- 4.21 Current projections (as detailed in the amended 20 year maintenance programme) indicate a requirement to fund property maintenance of circa £1.4m per annum from revenue contributions which will be achieved in 2014/15.

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- 4.22 A review of capital commitments in 2008/09 also indicated a requirement to fund a capital programme of £700,000 per annum from revenue contributions which will be achieved in 2011/12.

Government Support

- 4.23 The main issue in terms of funding availability is the estimation of the level of Government grant which the council will receive. Although this has been set for the period to 2010/11 as part of the Comprehensive Spending Review 2007 (CSR07), future settlements may impact on effective longer-term financial planning and sustainability.
- 4.24 For the purpose of projecting the funding gap, it is estimated that the level of government grant and share of the national non domestic rates pool will decrease by 10% in 2011/12 with a further 5% reduction in 2012/13 (i.e. a 15% reduction overall) for the period of the next spending review (CSR10). Following the PBR it is still unclear what level of cuts will be made and when they will impact.

Council Tax

- 4.25 Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates. This is assessed annually although the current economic climate could have an adverse impact on this source of one off funding and therefore no increases have been assumed for the period covered in this MTFS.
- 4.26 The taxbase represents the total number of chargeable properties in the borough, expressed as band D. The net budget requirement is divided by the taxbase to calculate the level of council tax for band D each year. The council's taxbase is estimated to increase by 100 each year for the purposes of the MTFS. This is a lesser increase than in recent years and reflects the slowdown in the housing market and the reduction in the number of new properties being built.

Funding Gap

- 4.27 The projected funding gap assuming a 2.5% increase in council tax presents a significant challenge for the council. The latest projections indicate a gap of £2.119m assuming a 'standstill' position in central government funding. The improvement in the baseline 5 year projection reflects the following:
- impact of capping pay increases on pay
 - delivery of the BtG programme savings in the earlier years
 - achieving the target annual funding level for property maintenance
- 4.28 Clearly, a 15% cut in central government funding will impact significantly on the funding gap and increase it to £3.4m over the period covered by this MTFS. Conversely, an economic recovery would help to close the gap.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16**5. Strategy for ‘bridging’ the projected funding gap**

- 5.1 The council could reduce the projected funding gap by increasing council tax above 2.5%. Council tax increases of 5% would generate an additional circa £200,000 per annum although this approach would be unpopular in the current economic climate.
- 5.2 The council has identified a number of work-streams which form the longer term strategy for ‘bridging the gap’ which are detailed below.

5.3 Service Reviews and Benchmarking

- 5.3.1 The council is keen to ensure that services are of the highest quality and lowest cost. Understanding the council’s own costs and how they compare with others is key to achieving this. Many of the council’s services undertake annual benchmarking exercises using statistical data and analysis that already exists, e.g. Chartered Institute of Public Finance and Accountancy Statistical Information Service (CIPFA S.I.S.) statistics and benchmarking clubs.
- 5.3.2 The council is keen to see all services benchmarked but recognises the volume of work required to continually do so. In preparation for the 2010/11 budget, the programme of benchmarking services concentrated on corporate or ‘back office’ services and future years will be programmed to ensure that all services are captured over the MTFS.
- 5.3.3 These service reviews will also be used to identify the potential for above inflation increases on the council’s current range of fees and charges and help to identify new sources for charging. Officers will need to examine the council’s commercial activities to ensure that it is maximising opportunities and to ensure its pricing policy will generate the greatest return.
- 5.3.4 Through the course of these reviews the council will need to ensure that it has the resources to deliver its ambitions. For example, Cheltenham has one of the highest spends per capita in England for provision of arts and culture. Whilst benchmarking data may suggest this area should be scrutinised for savings, the council will need to consider the social and economic wellbeing of the town and the cross cutting impact that arts and culture has on our key community objectives.

5.4 Asset Management

- 5.4.1 The council has a significant property portfolio including some key public buildings which place significant pressure on the council’s budget and represents a significant cost to the tax payer. Annually the council is planning to increase its budget by some £200k (equivalent to 2.5% council tax) in order to pay the annual cost of around £1.4m on the maintenance of public buildings.
- 5.4.2 The council is aiming to reduce the net cost of the council’s property portfolio through increasing income streams or reducing management and operational costs of the council’s property portfolio. The council is in the process of

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preparing an updated Asset Management Plan for consideration which will outline the council's strategic approach to asset management.

- 5.4.3 A review of the asset base could identify potential property disposals which will both raise capital resources (capital receipts) and reduce the incidental costs of holding properties (e.g. on-going maintenance costs, business rates, etc). Similarly, vacant properties are being reviewed to identify alternative uses that might better support the council's business plan objectives and generate an income. It is worth noting however, that it has proved difficult to release savings from property rationalisation in the current economic climate.
- 5.4.4 Given the reducing level of the Capital reserve, it is proposed that future asset sales (capital receipts) will be used to support the capital programme and civic pride rather than be used to pay off debt and marginally reduce the cost of financing the amount of minimum revenue provision set aside by the council.

5.5 Procurement

- 5.5.1 Historically, the council has already set a challenging savings target for the procurement function. The Procurement Manager has been extremely successful in delivering cashable savings through negotiating preferential contracts. The council is robust in ensuring that these savings are removed from budgets and the resulting money used in priority areas or recycled as cashable savings. The council has also been instrumental in leading on procurement activity at a district council level in Gloucestershire and colleague councils have benefited from the negotiation of corporate contracts by the CBC procurement officer. The council has also embraced some of the less traditional procurement routes, i.e. reverse auctions which have resulted in further savings being achieved.
- 5.5.2 The council is well aware of best practice in procurement and keen to explore the benefits which processes such as category management can deliver. As well as delivering cashable savings arising from more cost-effective buying, category management supports a commissioning approach and delivery of excellent services. The council is also involved in discussions with a number of potential partners concerning shared procurement activity but these are currently at a very early stage.
- 5.5.3 Recently the council has secured the offer of a loan of £80,000 from the South West Regional Improvement and Efficiency Partnership (RIEP) to develop and prove a pragmatic approach to category management which could be adopted by other District Councils.
- 5.5.4 The detailed spend analysis and category management principles developed by this project will put the council in an excellent position to develop the procurement function further by looking at shared services opportunities, and challenging the private sector to find additional savings.

5.6 Service Improvement through 'Systems Thinking'

- 5.6.1 The council has adopted a strategy for improving service delivery by:

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- designing the service to meet customers needs and expectations, and
 - optimising the realisation of cashable efficiency gains by removing failure demand and waste from the system
- 5.6.2 The principal aim of the work is to examine how services are provided in order to seek improvements and efficiencies and reduce costs through the use of 'systems thinking' analytical approaches. This has also been very successful with 'interventions' in a number of areas which have resulted in more efficient services and are projected to deliver savings in the process.
- 5.7 Shared Services**
- 5.7.1 There has been major progress in the establishment of shared service arrangements with some significant achievements being made over a relatively short period of time. Recently the council has established a shared audit service with Cotswold District council and shared Legal and Building Control services with Tewkesbury Borough council.
- 5.7.2 A more significant and complex piece of work, the 'Corporate Services Sourcing Strategy' was undertaken which investigated the 'sourcing' of key corporate services including Finance, Human Resources, Customer Services, Revenues and Benefits, procurement and ICT. Included within this, is the development of a business case for a shared Enterprise Resource Planning (ERP) system to replace individual payroll, HR and finance systems in 7 district councils (the other 6 districts in the county plus West Oxfordshire District Council) with one system which could be a platform for a shared service for Finance and HR across these 7 districts. This project is called GO7.
- 5.7.3 The business cases for each of these service areas was approved by the council on 14th December 2009. The proposals require up front investment of £785,000, of which the council has already earmarked £200,000 (Financial outturn 2008/09 report to council - June 2009) which is reflected in the Cabinet's interim budget proposals for 2010/11. It is anticipated that this will deliver annual savings equating to c£890,700 once all of the work streams are complete. Hence this makes a significant contribution to the BtG programme.
- 5.8 Other Future Options**
- 5.8.1 As part of the BtG work, the Senior Leadership Team was asked to consider the implications in their services of a 20% cut in order to generate ideas. The Cabinet have considered a number of other options put forward and have included, as part of the interim budget, a list of areas for future consideration. These options have not been approved by the present Cabinet during this budget round but will need to be considered by any future administration and some cross party working.
- 5.8.2 'Invest to save' initiatives will be encouraged to ensure long-term efficiencies in service delivery and value for money are delivered. These initiatives may well require some up-front capital investment, the criteria for which are

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outlined in the capital strategy which was approved by council in February 2009.

- 5.8.3 Over the last 2 years the "bridging the gap" programme has been successful in delivering savings to close the budget gap without any detrimental impact upon service delivery. However, the unprecedented financial pressures now being faced by the council, and outlined in this MTFS, require a different strategy to be adopted to service design and delivery. The objective of adopting a different approach is to deliver the best outcomes for individuals and communities in the context of the MTFS. When services are redesigned it is important that citizens, service users and council tax payers are the focus and to this end the council is working towards becoming a commissioning council adopting a strategic commissioning approach.
- 5.8.4 Strategic commissioning is not a new idea; the NHS has been using commissioning extensively for many years and legislation particularly in the social care and children's service areas has moved service design to embrace a commissioning approach. Commissioning is defined by the Cabinet Office as "the cycle of assessing the needs of people in an area, designing and then securing appropriate service". Commissioning requires better partnership/cross agency working, prioritisation to ensure resources (finance, people and assets) are used to best effect to deliver clearly defined outcomes which all parties to the commissioning approach are aligned behind. Commissioning judgements will be made transparently and objectively with a focus on outcomes leaving the method of delivery to the provider of the service. By adopting this strategic approach services will be transformed, where warranted, and may not necessarily as at present be provided through a directly employed workforce; a mixed economy (sharing services, outsourcing, creation of "not for profit" vehicles, third sector) approach to delivery of services may result. The key tests for commissioning will be good quality services, with outcomes for the citizen and community at the heart of their provision and which have long term financial viability.

5.9 The Residual Funding Gap

- 5.9.1 Taking into account that the identified work-streams are delivered throughout the period covered by this MTFS, the projected residual funding gap (assuming a 2.5% increase in council tax annually) is shown below in Table 2.

Table 2: Projection of Residual Funding Gap

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Projected Funding Gap @ 2.5% Council Tax (Table 1)	1,696,765	912,239	564,036	206,331	22,057
Identified Work-streams					
Service Reviews	(85,100)	(5,000)			
Asset Management	(52,500)	(40,000)	(20,300)	(32,000)	
Shared Services	(153,400)	(150,400)	(234,200)	(15,000)	(53,400)
Service Improvement	(18,300)	(2,000)	(14,100)	(2,000)	
Procurement	(120,000)	(100,000)			
Freeze on Members Allowances	(9,900)	(10,300)	(10,600)	(11,200)	
Projected Residual Funding Gap	1,257,565	604,539	284,836	146,131	(31,343)
Cumulative Projected Residual Funding Gap	1,257,565	1,862,104	2,146,940	2,293,071	2,261,728

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- 5.9.2 It should be noted that the current MTFS does not assume any recovery in the current economic climate and therefore, the view could be taken that the current MTFS predicts the worst case scenario.
- 5.9.3 The council is seeing the impact of the economic downturn on many services. As the economic crisis has deepened, the council has witnessed a more significant reduction in income levels for many of its service areas resulting in the need to revise income estimates further downwards. The income from development control, property rentals, land charges and recycling has declined to unprecedented levels.
- 5.9.4 In addition, the Bank of England base rate cut to 0.5% has resulted in a significant reduction in the base budget for investment interest.
- 5.9.5 Recovery within the economy over the course of the current MTFS would obviously assist in closing the projected funding gap although some costs (e.g. pay awards) may also increase.
- 5.9.6 The recent announcement by the government relating to the administration changes for concessionary fares will reallocate the responsibility for this service from District and Borough Councils to County Councils on 1st April 2011. The reallocation of revenue support grant funding will be consulted on in July 2010. At this stage, although clearly Cheltenham would no longer be responsible for paying for the statutory scheme and would lose the current specific grant element for the funding of the free national scheme, it is not clear how much revenue support grant will be lost as a result of this transfer of duties. The best case scenario would result in the council losing the identifiable allocations of revenue support grant and specific grants which currently total £1.05m. Given that the current expenditure incurred by the council for this scheme amounts to £2.2m, the best case scenario would result in the council benefiting to an amount of £1.15m.
- 5.9.7 The issue is further complicated by the potential need to provide database information, currently held locally, other administrative aspects of the scheme (i.e. card issuing/replacement) which may or may not be sub-contracted back to local level and the cost impact of any discretionary elements of the scheme which the county council may not wish or be able to fund i.e. 9:00am start time and companion passes. For planning purposes, it is assumed that the best case scenario would result in the council benefiting to a sum of £500,000.
- 5.9.8 For the purpose of modelling different planning scenarios (i.e. best case scenario) Table 3 assumes that the economy recovers by 2011/12 with the recovery of income levels to 2007/08 levels and investment income obtaining a return of at least 5%.

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Table 3: Projection of Residual Funding Gap / (Surplus) - best case scenario

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Projected Funding Gap @ 2.5% Council Tax	1,696,765	912,239	564,036	206,331	22,057
Identified Work-streams					
Service Reviews	(85,100)	(5,000)			
Asset Management	(52,500)	(40,000)	(20,300)	(32,000)	
Shared Services	(153,400)	(150,400)	(234,200)	(15,000)	(53,400)
Service Improvement	(18,300)	(2,000)	(14,100)	(2,000)	
Procurement	(120,000)	(100,000)			
Freeze on Members Allowances	(9,900)	(10,300)	(10,600)	(11,200)	
Concessionary Fares	(500,000)				
Economic Recovery					
Recovery of Income levels		(200,000)	(200,000)		
Additional Investment income			(130,000)		
Projected Residual Funding Gap / (Surplus)	757,565	404,539	(45,164)	146,131	(31,343)

6. Financial Projections – Capital Resource Requirements

- 6.1 The council's capital strategy is geared towards ensuring the maximisation of resources available to the council.
- 6.2 The council has budgeted to make a revenue contribution to capital outlay (RCCO) Capital Reserve of £625,000 in 2010/11 which is planned to increase by £75,000 in 2011/12 within the current MTFS. This reserve funds part of the capital programme which generally consists of 3 areas of expenditure (i) replacement of play equipment (ii) replacement of CCTV equipment and (iii) mandatory costs of disabled facilities grant, totalling £500,000. Assuming additional one off schemes of circa £200,000, the council has an approximate capital programme to be funded from RCCO of £700,000 annually. Within the current MTFS, this level of RCCO will be achieved by 2011/12.
- 6.3 The remainder of the capital programme is funded from other sources e.g. specific grants. In order to progress new capital schemes not already identified within the MTFS, the council will need to prioritise the use of available resources detailed in the Capital Strategy which could involve the disposal of existing assets or prudential borrowing on a scheme by scheme basis.

7. Financial Projections - Reserves

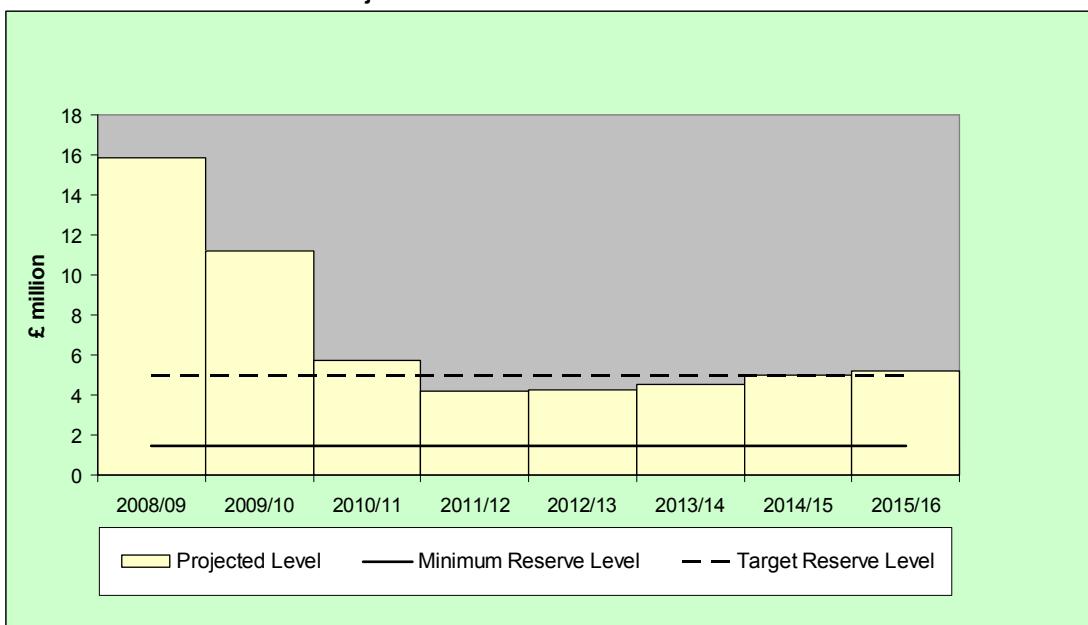
- 7.1 A review of earmarked reserves in February 2009 resulted in an increase to the General Reserve. This reserve is held to protect existing service levels from further fluctuations in interest rates, potential implications from the Icelandic banks situation and reduction in income levels as a result of the economic downturn
- 7.2 External factors such as the flooding in 2007 and the problems experienced by the global financial markets in 2008 have highlighted the importance for authorities to maintain an appropriate level of reserves. This has prompted CIPFA's Local Authority Accounting Panel (LAAP) to issue a bulletin on local authorities' reserves and balances.

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- 7.3 As part of the annual budget setting process and in reviewing the MTFS, the council needs to consider the establishment and maintenance of reserves. These can be held for three main purposes:
- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
 - a means of building up funds (earmarked reserves) to meet known or predicted requirements.
- 7.4 The council has benefited from a strong economy over a number of years which has enabled it to earmark significant funds to specific reserves. These have been reviewed twice yearly by full council under the guidance of the Chief Finance Officer.
- 7.5 Over the course of this MTFS, a number of earmarked reserves will be depleted as they are used to finance planned expenditure e.g. implementation of single status and the phasing of increasing employee pension costs.
- 7.6 It is also the case that reserves used to finance the capital programme and property maintenance will reach the levels required to fund existing commitments within this MTFS.
- 7.7 The proposed net budget requirement for 2010/11 is £16,753,397, which includes a net use of reserves of £634,853. When taking into account revenue contributions used to fund the capital programme in 2009/10 and 2010/11, the net reduction in the level of reserves held by the council is projected to be £10,105,953 by 31st March 2011 (in comparison to the level of reserves held as at 31st March 2009).
- 7.8 The projected position for General Fund reserves to 2015/16 is shown below in Table 4:

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Table 4: General Fund Reserves Projection 2008/09 to 2014/15



- 7.9 The Chief Finance Officer has maintained in the past that General Reserves should be maintained in the range of £1m to £1.5m. In view of the current economic climate, the risks associated with holding Icelandic investments, and the position in respect of the council's former Managing Director, it is now the view that this minimum range should be raised to £1.5m to £2m. In order to ensure that the council holds significant reserves to cover the purposes for holding reserves (as outlined in 7.4) a target projected reserve level of £5m has been set.
- 7.10 The projection shown in Table 4 is important as it demonstrates that the uneven impact of unavoidable cost pressures (e.g. single status, pension costs) can be handled, whilst providing temporary use of reserves to support the budget if required.
- 7.11 The graph demonstrates that the level of reserves held over the course of the MTFS is projected to fall to circa £4.2m in 2011/12 but gradually rising to the projected target of £5m by 2014/15.
- 7.12 Risk analysis and a determination of the adequacy of the level of reserves will remain a key element within the Chief Finance Officer's annual section 25 report, in conjunction with the final budget proposals.

8. Working in Partnership

- 8.1 Partnerships form the basis of an increasing range of the council's services and extend from joint activities within a loose working arrangement to complex and formally structured vehicles for service delivery.
- 8.2 The council welcomes the opportunity to work with partner organisations to deliver our proposed outcomes as this adds value for the taxpayers of Cheltenham but will always seek to ensure that the:

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- Financial viability of partners is assured before committing to an agreement
- Responsibilities and liabilities of each of the partners is clearly understood by parties to any agreement;
- Accounting arrangements are established before any payments are made; and
- Implications of the terms and conditions of any funding arrangements are considered before any monies are accepted.

8.3 Cheltenham Strategic Partnership (CSP)

8.3.1 CSP brings together core partners, thematic partnerships, community and voluntary sectors. The aims of the CSP are:

- To be the partnership of partnerships for Cheltenham, providing strategic co-ordination, ensuring linkages with other plans and bodies established at the regional, sub-regional and local level and agreeing a community strategy that sets the vision and priorities for the area and gaining consensus about the way forward.
- To develop and drive the effective delivery of the sustainable community strategy action plan through effective performance management and holding delivery partners and partnerships to account.

8.3.2 The council commits £15,000 pa to support the work of the partnership and to enable it to deliver commitments in the sustainable community strategy.

8.4 Cheltenham has a clean and well-maintained environment

8.4.1 The council works with a range of community-based organisations to promote a clean and well-maintained environment;

- We work with the Tidy Cheltenham Group to promote a clean environment.
- We work with Cheltenham in Bloom to promote awareness of the importance of Cheltenham's floral heritage amongst the borough's residents and businesses and to involve the community in celebrating the borough's beauty.
- We work with local communities to attain green flag status for local parks

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

8.5.1 We are working in partnership with Gloucestershire County Council and the South West Regional Development Agency (SWRDA) to coordinate the civic pride project that will result in significant investment into the borough to secure its longer-term economic success whilst improving its look, its ambience and its associated transport infrastructure.

8.5.2 We now share our building control service with Tewkesbury Borough Council to reduce overheads.

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8.5.3 We have developed a joint approach to our strategic planning function with Tewkesbury and Gloucester City councils which is sharing posts, resources and budgets.

8.5.4 Together with Cheltenham's Home Improvement Agency we provide renewal funding to help improve the quality and safety of private sector housing.

8.5.5 We provide funding to support the County Council's highway tree planting programme throughout the borough.

8.6 Carbon emissions are reduced and Cheltenham is able to adapt to the impacts of climate change

8.6.1 The council supports partnership working in the county through the Gloucestershire Waste Partnership and has adopted a county wide Joint Municipal Waste Management Strategy. It has also signed a memorandum of understanding with Tewkesbury and Cotswold district councils to progress towards shared service delivery in waste management by April 2012. This will be achieved in a structured and incremental way with progress dependant on individual authority agreement at key milestones.

8.6.2 The council also works in partnership with Vision 21 Gloucestershire, an independent registered charity that provides support and information about climate change and sustainable development, to promote sustainability and responsible waste management. A key feature of this partnership is the recruitment of 56 active volunteers as Community Recycling Champions who promote waste reduction, re-use and recycling within their local community.

8.6.3 The council contributes £5,200 per annum to support the work of the Low Carbon Partnership which is focusing on reducing carbon emissions from energy and transport use and brings together partners from public, private and voluntary sectors. The partnership agrees an annual collective carbon reduction target for its members and has just signed up to 10:10..

8.6.4 We are working with Gloucestershire's district councils and the county council to assess how climate change will impact on our services and how we will need to adapt our services to cope with these changes.

8.6.5 We work with Severn Wye Energy Agency and the other Gloucestershire councils to run the award winning "Warm and Well" scheme which funds energy efficiency measures and renewable energy installations in people's homes.

8.7 Cheltenham has improved access and travel options

8.7.1 The council is a member of the Gloucestershire County Council's countywide concessionary travel scheme for 2009/10. This scheme now allows for national free travel which is an expansion of the arrangements as operated during 2007/08 where free travel was limited to within Gloucestershire and certain cross boundary routes only. The cost allocations for the countywide scheme for 2009/10 onwards are controlled by the consultants (JMP) providing the administrative support for the County Council acting in its capacity as the administering authority.

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- 8.7.2 The increase in demand for travel, and hence cost, that has been experienced over recent years has been a reflection of many issues including the transition from half-fare schemes through full-fare local schemes into a fully free national scheme as determined by Central Government. The authority is free to offer enhancements to the scheme which it currently does through its travel companion and Taxi Voucher schemes.
- 8.7.3 £525,000 additional funding was provided by Central Government to cover the costs of migrating from local full-fare schemes to the national full-fare scheme throughout England in 2008/09. This figure was increased in 2009/10 to £537,000 and will further increase in 2010/11 to £552,000. From 2011/12 onwards it is proposed to relocate the administrative and financial responsibilities for Concessionary Fares from District and Borough Councils to County Council's. This will align with the start of the next three year settlement period.
- 8.7.4 The council works closely with the Highway Authority, Gloucestershire County Council, and its delivery arm, Gloucestershire Highways, to enhance and maintain the street scene. In recognition of the added value that Cheltenham Borough Council can deliver to street scene services a highway agency agreement for grounds maintenance was adopted in April 2008, with the Borough carrying out a range of services on behalf of the County and match funding the replacement programme for street trees

8.8 Cheltenham is able to recover quickly and strongly from the recession

- 8.8.1 The council has 15 service level agreements in place with a range of partners to secure delivery of its economic development strategy worth over £240,000; significant SLA's include those with Gloucestershire First, Adult Education department of Gloucestershire County Council and Severn Wye Energy Agency.

8.9 We attract more visitors and investors to Cheltenham

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

8.10 Unemployed people are able to access employment and training

- 8.10.1 We work in partnership to facilitate activities that will help people move off benefits and into employment.
- 8.10.2 We work in partnership through the Public Sector Employment Partnership to develop a range of workforce development initiatives such as improved NVQ training and the apprenticeship scheme.
- 8.10.3 We work through Gloucestershire Education Partnership to provide staff volunteers to work with local schools to provide advice to future school-leavers.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16**8.11 Communities feel safe and are safe**

- 8.11.1 Tackling crime is consistently the highest priority for our residents and the council invests significantly in this work. It directly employs three officers who support the work of the community safety partnership, including our anti-social behaviour officer, but also supports a number of other council services that meet the aims of the partnership such as Cheltenham Safe, street cleaning, graffiti removal service and summer holiday playschemes.
- 8.11.2 This work secures additional funding which comes from area-based grant allocated through the Gloucestershire Local Area Agreement; which in 2009/10 was £25,000 for anti-social behaviour grant and £30,000 revenue. The £25,000 ASB grant allows the council to deliver a range of activities in partnership with others including working with a police officer who is seconded to the council to support the ASB work.
- 8.11.3 We also work with Gloucestershire County Council to ensure investment into keeping our children and young people safe. The county council allocated a sum of £20,000 in 2009/10 to our children and young people's partnerships to support an integrated "youth offer" which is about ensuring young people have access to services, facilities and information and support. The council also allocated £30,000 to a range of partnership projects that will tackle child poverty in our most deprived communities.

8.12 People have access to decent and affordable housing

- 8.12.1 The council has over 4,500 properties which are managed by Cheltenham Borough Homes which is our Arms Length Management Organisation (ALMO) under the terms of a management agreement. It is a company limited by guarantee, with the council as the only guarantor. The council has continued to enable the delivery of affordable homes through the Cheltenham and Tewkesbury Housing Market Partnership which has delivered 20 affordable homes since 1st April 2008. We are on track to deliver over 40 homes in the financial year.
- 8.12.2 We work in partnership to increase the number of older and vulnerable people supported to live independently at home through supporting commissioning housing related support and the home improvement agency service.
- 8.12.3 We work with Severn Wye Energy Agency to promote energy efficient homes and tackle fuel poverty.
- 8.12.4 We also work with the 5 other districts in Gloucestershire on a joint approach to allocating social housing through Gloucestershire Homeseeker.

8.13 People are able to lead healthy lifestyles

- 8.13.1 Under Section 31 of the Health Act 1999 health and local authorities are encouraged to work together to improve the lives of residents. Gloucestershire PCT and the council jointly-fund a Healthy lifestyles development officer who delivers a programme of activities in the borough to improve their health and wellbeing. The PCT also committed £25,000 in 2008/09 to the CSP to reduce health inequalities in Cheltenham.

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8.13.2 The council also supports the Cheltenham Community Sport and Physical Activity Network (CSPAN) which is a multi agency steering group that delivers projects to improve the health and well-being of residents in Cheltenham.

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

8.14.1 We recognise that the Voluntary Sector is central in creating strong communities both through larger voluntary sector organisations which provide services to communities and the wide range of local community groups and organisations.

8.14.2 Consequently we provide a range of grant funding to Voluntary Sector partners who are able to deliver cost effective services to their communities, including Cheltenham Voluntary and Community Action (CVA) which is responsible for co-ordinating and representing the voluntary sector in the town.

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

8.15.1 The council has committed £2m (in addition to £500,000 already earmarked from the sale of the Axiom) to secure the improvement of Cheltenham Art Gallery & Museum. This has levered in a grant of £750,000 from a Charitable Trust. With these financial foundations, we can now move forward towards planning approval and further fundraising. Subject to these, it is hoped to begin building work in 2010 with a total budget estimated at £6.3m.

8.15.2 The council has a service level agreement with Cheltenham Festivals (CF) to provide four annual festivals of jazz, science, music and literature. The programme of festival activity includes a wide range of community and educational activities within Cheltenham, concentrating particularly on the most disadvantaged communities. An annual grant of £109,200 has been allocated to CF to support this provision for the three years 2008/09 to 2010/11. In addition, the council provides annual in-kind support to CF, totalling £190,000 in 2009/10.

8.15.3 The council has also allocated additional grant of £500,000 over the period 2007/08 to 2009/10 to support CF in becoming independent from the council, delivering a viable future for CF by March 2010 and protecting and enhancing Cheltenham's cultural provision.

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

8.16.1 The council is working with other district councils to help realise the cost savings from sharing services. We have already launched shared services for Audit (with Cotswold District Council), Legal Services and Building Control (both with Tewkesbury Borough Council).

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16**8.17 Infrastructure Delivery Planning**

8.17.1 A key work stream within the context of partnership working over the period of the MTFS is the preparation of a strategic infrastructure delivery plan for Gloucestershire. The primary objective of this work is to deliver the infrastructure required over the next 15-20 years to support the development needs of Gloucestershire and support the visions of sustainable community strategies. This will require joint working across public sector organisations to release added value in capital projects and other public sector investment. This may have implications in the future development of the Capital Strategy.

9. Areas of Uncertainty associated with the MTFS

9.1 The review has also highlighted a significant number of areas where the impact on revenue spending cannot be quantified with sufficient accuracy, at this point in the process. These have been included as 'Uncertainties associated with the MTFS' and these areas will form the basis for ongoing review through the period of the 2011/12 budget process.

VAT on Car Parks

9.2 The Isle of Wight (I.O.W.) local authority, along with three others, successfully argued at a VAT Tribunal, that they should not have to charge VAT on off-street car parking. This was principally on the basis that it would not, despite protests by HM Revenue and Customs (HMRC), create a significant distortion of competition (a key factor in determining VAT liability).

9.2.1 The Tribunal considered the implications of these local authorities not charging VAT by looking at the effect on their pricing policies, on customer usage and on potential private providers. It found that prices were set at levels to either stimulate customer numbers or discourage car use; were generally below those set by the private sector and were not an overriding factor in customers choosing where to park (they would park nearest to the facility they needed rather than choosing solely on price). It could not find any evidence of distortion of competition in respect of the local authorities represented at the Tribunal.

9.2.2 In conclusion it was unlikely that a change in VAT liability would result in either a change in price or parking policies.

9.2.3 In anticipation of HMRC being compelled to change the VAT liability of off-street car parking for all local authorities, from 'standard rate' to 'non-business' (i.e. no VAT chargeable), Cheltenham Borough Council, along with many other local authorities, under advisement, submitted repayment claims to HMRC requesting reimbursement of the VAT already paid on off-street car parking since 1998 (the furthest back allowed at the time).

9.2.4 Total claims lodged to that date amount to £5,040,484. Claims averaging circa £650,000 per annum for 2007/08, 2008/09 and the current year have yet to be submitted. Subsequent changes in the law have now allowed the council to go back even further - to the start of VAT in April 1973. VAT advisors have prepared a claim which has been submitted, and subsequently

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rejected by HMRC, pending the case's outcome. This claim amounts to £5,000,825 covering the period 1st April 1973 to 30th November 1996.

- 9.2.5 However, HMRC did not agree with the Tribunal decision and lodged an appeal to the High Court. This was heard in November 2006 and on 16th February 2007, the High Court decided to refer the case to the European Court of Justice (ECJ). The ECJ delivered its judgement on 16th September 2008 which was not favourable towards IOW. It focussed strongly on the issue of fiscal neutrality i.e. that two operators engaged in the same activity should not be treated differently in respect of levying a tax.
- 9.2.6 The matter has now been returned to the High Court which may refer the issue raised back to the Tribunal to reconsider.
- 9.2.7 This is clearly a situation which has the potential for significant revenue receipts for the council should HMRC lose their case. However, the ECJ's opinion does diminish the likelihood of success for the plaintiff councils.
- 9.2.8 Cheltenham Borough Council will continue to account for VAT on off-street car parking but will also continue lodging claims with HMRC for repayment, in order to protect its position.

Retrospective VAT Claims

- 9.2.9 Following a House of Lords judgement in January 2008, new legislation was introduced in the March 2008 Budget by HMRC, setting out the transitional period for which claims may be made for overpaid output tax (up to 4th December 1996) and under claimed input tax (up to 1st May 1997). The deadline for submitting claims was 31st March 2009.
- 9.2.10 The council enlisted the assistance of VAT consultants, LAVAT, in the preparation of claims in the following areas: off-street car parking (as previously mentioned), excess parking charges, domestic waste, and cemetery and crematorium supplies.
- 9.2.11 The claims netted the council £1.159m (including interest) and covered the period November 1996 to March 1973. £583k of this relates to the payment of 'simple' interest to the council on the principal amount.
- 9.2.12 The council is intending to prepare a further retrospective claim for overpaid VAT during the period December 1996 to March 2006, which currently falls outside HMRC's time limits. This has arisen from the Republic of Latvia arguing in the European Court that time limits are unlawful. A favourable result for Latvia would be applicable to the UK under European Law, hence Cheltenham Borough Council will submit an extended VAT claim to protect its position.

Compound interest claim

- 9.2.13 The 'Sempra Metals' case has been brought before the High Court to determine whether taxpayers should be entitled to compound interest on overpaid VAT. The High Court has agreed to this in principle but has allowed the six year time limit under the Limitation Act to stand meaning their claim

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falls out of time. However, the time limit point has been appealed to the Court of Appeal. A decision is due out on this in April 2010; however any decision favourable to the taxpayer will be appealed by HMRC.

- 9.2.14 Following the High Court's decision, the council has, under advisement, instructed DLA Piper to pursue a compound interest claim in the High Court. This follows claims being pursued by other local authorities, including Bristol City Council.
- 9.2.15 Should the council be successful in this claim, the initial interest payment of £583k would be repaid again, potentially two or three-fold.

Adequacy of Capital Resources and Property Repairs and Renewals Fund (Reserve)

- 9.3 The Chief Finance Officer has raised the issue of the long term financing of both the council's capital programme and 20 year Maintenance Programme on a number of occasions. The work to update the Asset Management Plan remains outstanding. This work should identify additional funding requirements over the coming years and may consider alternative forms of financing, including prudential borrowing.

Housing and Planning Delivery Grant (HPDG)

- 9.4 The Authority has been awarded £485,000 for 2009/10. This will push back the impact on the MTFS until 2015/16 for the potential financing of currently employed PDG employees. The current level of impact in 2015/16 is anticipated to be £150,000 per annum.

Recycling

- 9.5 Providing a kerbside collection of plastic bottles will have a positive impact on the council's recycling performance and can be achieved at nil cost. However, in the absence of a kitchen waste collection scheme the council will not achieve its strategic or business plan recycling targets.
- 9.6 The income generated from the sale of recyclate to recycling organisations is starting to recover following a revival in the market. The income budgets for 2010/11 have been adjusted to reflect these changes. Although there are indications that prices are beginning to recover the volatility in the market price for recyclate continues to fluctuate which makes estimating future trend income positions uncertain.

Off-Street Parking income

- 9.7 Income from off-street parking continues to fall. There are two income streams which form the majority of the budgeted income i.e. fees and fines. Whilst income from fees remains under pressure it is the income from fines which has declined most.
- 9.8 The level of fine income in 2005/06 reached a peak of £233k. Since that date the level of fine income has declined to the current year's anticipated level of £70k. The combination of income levels from fees and fines has resulted in

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an anticipated budget shortfall this year of circa £225k behind the base budget for 2009/10. It is likely that the adverse weather in the early part of 2010 has contributed a one-off £100k to this shortfall. However, this leaves a trend shortfall of £125k which needs to be addressed over the course of the MTFS.

Land Charges

- 9.9 The Environmental Information Regulations suggest that there is potential for approximately £90k of our current income stream to be lost following implementation of these Regulations. These regulations state that there is potentially no authority to charge for such information streams that may be deemed to be environmental in their nature. No time-table has been set for finalising this impact; however, it may be prudent to assume that the impact could occur as early as 2011/12. At this stage this is only an estimate of the likely position.

ICT Strategy

- 9.10 The council is currently updating its ICT strategy which documents the councils approach to delivering ICT solutions to support the delivery of key corporate strategies. This will include a costed plan which may have financial implications over the lifetime of the MTFS which will need to be taken into account when the MTFS is next updated.

2012 Olympics

- 9.11 The council is in the process of assessing the impact and opportunities arising from the 2012 Olympics in terms of adding value to existing service provision, maximising legacy i.e. making sure that clubs and facilities can cater for the enthusiasm generated by 2012; and managing the potential impact on infrastructure and services.
- 9.12 To complement this work the council committed £30,000 of the 2009/10 LAGBI allocation towards providing sport and play activities for young people in the run-up to the Olympics. Spread over three years, a range of programmes and events will take place throughout the town, which will expand and develop the youth focused sporting offer provided by the council's sports development team and Active Gloucestershire.
- 9.13 Furthermore, the recent successful CSPAN funding bid has secured funding from Sport England which will be used to provide a bursary scheme to support Cheltenham's gifted and talented athletes up until the 2012 Olympics.

Icelandic Banks

- 9.14 The council has £11m of investments with Icelandic banks which went into administration in October 2008. The council has logged claims for recovery of the deposits with the banks administrators, but has yet to be notified of the likely recovery rates or timescales. The MTFS assumes the impact of a worst case scenario based on best information available but the situation remains uncertain.

MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2015/16**10. Risk associated with the MTFS**

- 10.1 There are inevitable risks associated with the assumptions for both revenue and capital projections. Employee turnover may vary from that assumed with both financial and service consequences. Net expenditure may be more than has been assumed, either as a consequence of additional demand, e.g. for concessionary fares; reduced income following a fall in demand e.g. car parking; or for new responsibilities which are inadequately provided for within government grant.
- 10.2 On the capital side, major projects that require additional resources and rely on a level of new capital receipts may prove to be optimistic in the current economic climate.
- 10.3 Furthermore, the current MTFS assumes that the current system of local government funding will continue.
- 10.4 However, we now also need to consider additional risks associated with the wider economic situation. Inflation and interest rate assumptions may prove to be incorrect, although this has been factored in to some extent by assuming the worst case scenario.
- 10.5 The prospect of business failures and a reduction in available tenants may result in rent reductions or rent free periods in order to attract new occupiers to the council's commercial property portfolio.
- 10.6 It will continue to be necessary to review the MTFS each year and update it for latest information. In year budget monitoring is crucial to ensure that variances and trends are highlighted at the earliest opportunity.

11. Conclusion

- 11.1 The council has a track record of strong financial management but is now in a period of significant volatility and uncertainty. The council needs to plan now to ensure that its strong financial position continues throughout the period covered by this MTFS and beyond.
- 11.2 The development of this strategy for closing the budget gap is an important and on-going issue for the council.