Appendix A

Medium Term Financial Strategy 2012/13 to 2016/17

A place which is clean, green, healthy, safe and where people can live in strong communities – a place where a good quality of life is open to all

Tewkesbury Borough Council

December 2011

Medium Term Financial Strategy 2012/13 – 2016/17

Contents:

1. Foreword to Medium Term Financial Strategy 2012-2017

Financial forecasting in the current economic climate is an extremely difficult thing to address. As an authority, with help from central government, we have held our council tax at the same level with 0% increase for 2011/12 and 2012/13. The projections then assume a 3% increase annually thereafter. The actual rises will depend upon the needs of our communities and legislation introduced by central government. Our five year strategy is a ‘living’ document which changes in-line with important happenings.

We are indebted to the hard work and cooperation that we have received from our many Town and Parish Councils. This is a difficult period when we have been transferring responsibilities to those who benefit from some facilities. For example, public toilets will in future be run by the appropriate Town or Parish Council that has the benefit of the facility. Similarly playing fields and play areas, where not already run by the local council, will be transferred to them by mutual agreement. We, in turn, whilst devolving these facilities to the parishes, will be helping with capital grants for major projects, helping new and existing businesses with limited grant aid, and trying to help with the current housing problems – both for affordable housing and first-time buyers.

We are proud to be able to keep our Council Tax as low as possible (we are the lowest in Gloucestershire and the fifth lowest in the country), whilst providing a good level of services. We are well aware that many of our residents do not have limitless funds, and our actions will always take this into consideration.

Councillor Allen Keyte
Deputy Leader of the Council
Lead Member for Finance & Asset Management

2. Introduction

This Medium Term Financial Strategy, (MTFS), covers the period 2012-17. It identifies the likely costs and pressures that the council will face and matches these against the anticipated resource allocation over the period.

The MTFS is a core document to enable the council to deliver against its vision and the aims and objectives included in the Council Plan. The MTFS will need to be revised when the Council adopts its new Council Plan in 2012, which will incorporate the impact of the Localism Act and the Council's own Communities Concept Framework. This will set out the Council's approach to engaging with and enabling communities within the Borough to take action to deliver projects in their local area and how the Council will react to the Government's localism agenda.

The Strategy will outline the council's attitude to risk, governance arrangements for effective financial management, proposals regarding council tax levels and objectives for retaining adequate reserves.

Developments and enhancements will be made to this document on a rolling basis in order to continuously improve our approach to aligning revenue and capital spend to areas of highest priority for our local communities.

This Strategy covers:

General Fund – expenditure and income relating to the day to day delivery of our core services and functions. For 2011/12 this equates to £35m spend and £27.6m income, leaving a net revenue requirement of £7.4m.

Capital – The Council has had to review and update its five year capital programme in response to the economic downturn which started in late 2008. The programme has been revised, and is included within the MTFS. The Council still has an ambitious and significant investment programme to help deliver the aims and objectives in the Council Plan. Targeted capital investment will help contribute towards achieving corporate priorities or generate on-going revenue savings. Our planned capital spend up to the end of March 2013 is £3m.

3. Summary financial objectives:

(a) Medium term financial forecasts will be monitored and managed regularly by Corporate Management Team and Budget Working Group. Future years' revenue funding gaps will be addressed on an on-going basis.

(b) Council Tax to remain in line with government guidelines. Projections assume a freeze on council tax for the 2012/13 followed by annual increases of 3%.

(c) Retain a revenue working balance of at least 7.5% of net revenue budget at the end of each financial year

(d) Promote financial accountability to all budget holders through setting clear targets. Training to be provided for all budget holders.

(e) Formally review the purpose and adequacy of specific reserves on an annual basis. All approved reserves will be closely monitored and periodically reviewed with Lead Members. The reserves form part of the Council's budget in year and wherever possible should be spent in year.

(f) Continue to drive Value for Money (VFM) throughout the council through undertaking robust benchmarking and setting VFM targets based on high spending and/or poorly performing services. VFM targets to be underpinned by service delivery plans.

(g) Introduce a revised range of performance indicators for monitoring Council performance by April 2012

(h) To maintain or improve income collection rates and to minimise the amount of debt written off by the council.

How we will measure our progress:

(i) Deliver a year on year net revenue budget outturn within a tolerance of up to 5% underspend and maximum of 2% overspend

(j) Aim to achieve the required year end balances for specific reserves and provisions to meet the costs of known future financial commitments

(k) Reduce costs whilst maintaining or improving service quality to achieve the departmental Value for Money targets as set within the 2012/13 revenue budget and savings plan.

(l) Aim to reduce outstanding sundry debtors greater than 12 months old to less than £75,000 by March 2013

(m) Aim to achieve 2012/13 in year income collection targets of:

- Council Tax 98.75%
- NNDR 99.00%
- General debtors 94.00%

(n) Work towards the following Treasury Management targets under our latest policy:

- Aim to achieve a return on new investments in the year of 0.2% above the 7 day benchmark for both short and long-tem investments.
- Maintain the Council's position of borrowing for short-term cash flow purposes only.

4. The Corporate Planning Framework 2009-12

The Council is continuing it's improvement journey with the aim of excellence. A stronger political direction has developed supported by greater team working between Members and senior management. The Council has recently adopted a Community Concept Framework in response to the Localism Bill and Big Society agenda. The framework sets out the Council's enabling role in helping local communities to take action to deliver projects and initiatives in their area.

Now that the Localism Bill has been enacted the Council Plan will be reviewed in the light of the changing powers and responsibilities it contains. The Local Strategic partnership has also recently been reviewed and a proposed new structure for partnership working will be considered by the Council early in 2012.

The revised Council Plan will also be prepared early in 2012. The Council intends to continue it's improvement and this is reflected within the new DRIVE Programme. This together with a refreshed, long term Council Plan, will facilitate improvement into 2012/13 and beyond.

The Council's Vision for Tewkesbury Borough

A place which is clean, green, healthy, safe and where people can live in strong communities – a place where a good quality of life is open to all.

Clean and Green

1. **To ensure the amount of household waste reduces and the level of recycling increases**
    - Targeted activity with groups and individuals to achieve a recycling rate of 40% by 2010/11
2. **To maintain a good quality of environment**
    - Encourage people to insulate homes
    - Review home improvement strategy to ensure targeted groups can obtain grants
    - Continue to work with partners to deliver the flood action plan

Healthy

1. **To improve access to health care for our growing population**
    - By 2011 to have in place an Access Strategy for health services – specific targets to follow from the strategy
2. **To promote healthier lifestyles and tackle causes of poor health**
    - Enable an increased range and use of leisure activities to help reduce levels of childhood obesity and reduce hip fractures among older people

Excellent

1. **To improve communications and reputation**
    - Create a communication post and develop a PR, communication, & consultation strategy providing more positive media coverage and improved satisfaction levels
2. **To provide Value for Money**
    - Deliver the Corporate Development Plan and Excellence agenda.
    - Review Corporate Governance Framework
3. **To consult & engage to identify community needs**
    - Create a consultation panel of local people
4. **To ensure Members & staff are motivated with a 'one team' approach**
    - Implement a programme of development for Members & Staff
    - Delivery of the priorities as laid out in the Council Plan
5. **To ensure access to services for all our communities**

- Develop and implement our Equalities Action Plan to achieve level 3 Equality Standard by 2011
- Our services will be easier to access at a time and place convenient to our customers

Safe

1. **To maintain a low level of crime and assist people in perceiving that low level**
    - Continue to work in partnership with Community Safety Partnership with the aim to reduce crime by 2% per year
    - Work with communities to identify the causes of fear of crime

Strong

1. **To promote the economic vitality of the Borough**
    - Produce a Local Development Framework that meets the land and business needs of the economy
    - Create closer working with relevant agencies to support Small and Small to Medium Enterprises and help ensure employment levels remain at least 1% above average
    - Encourage flexible business accommodation
2. **To ensure good access to a range of leisure and cultural activities**
    - Work with leisure groups to increase participation in targeted groups, achieving at least a 1% increase in adult participation in sport
    - Increase through the Play Strategy the number of children participating in leisure and cultural activities outside of school
3. **To ensure housing development has the correct infrastructure and supports sustainability**
    - Working with Housing Market Partnerships, and other partners, to enable the provision of private & affordable housing, with a target increase of 2,190 homes by 2012
4. **To encourage public transport, walking and cycling**
    - Ensure new developments are designed to accommodate public transport links, walking and cycling
5. **Plan for the growth in youth population**
    - Increase the provision of youth activities

5. General Fund Revenue Budget

Revenue Resources available

The Comprehensive Spending Review 2010 was completed against a background of severe economic financial difficulties which started in 2008 and had an impact on all national economies, particularly the banking sector.

The Government has provided provisional grant settlement figures for 2012/13, but no estimates for future years. This means that the figures for 2013/14 to 2016/17 in the table below are all estimates. These are based on the indication that the Government has given of the savings required from the public sector to tackle the national budget deficit.

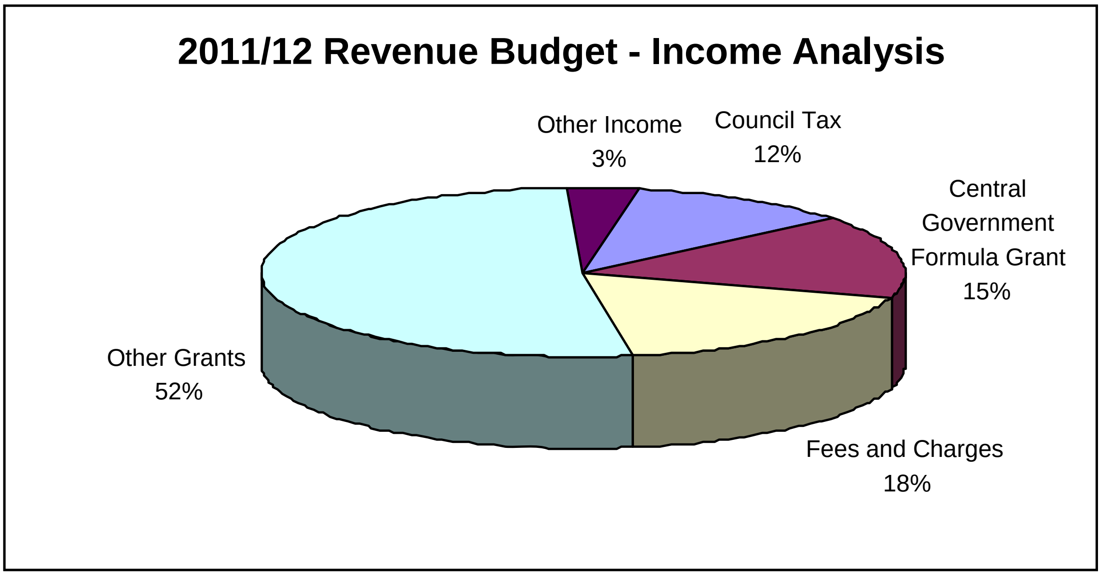
The estimate of resources available to the Council is shown in the table below:

Revenue Resources Forecast

Analysis of Formula Grant	**2012/13 £'000**	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Revenue Support Grant & Redistributed Business Rates	3,729	3,698	3,499	3,569	3,641
Change over previous year	**- 13.4%**	**-0.8%**	**-5.7%**	**+2%**	**+2%**
Council Tax income	3,196	3,315	3,438	3,566	3,699
Increase over previous year	0.8%	3.6%	3.6%	3.6%	3.6%
Total Resources available	**6,925**	**7,013**	**6,937**	**7,135**	**7,340**

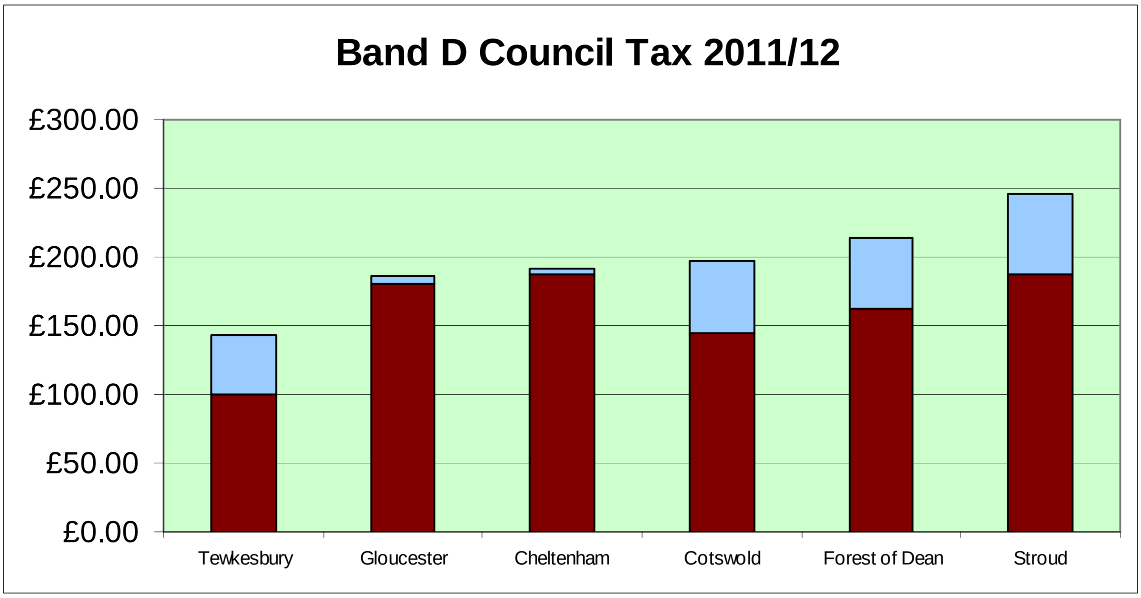
Revenue Funding Breakdown

The £3,729m formula grant funding equates to £46.37 per head of population in the Borough. The funding from grant only relates to 15% of the council's total revenue income, with Council Tax only accounting for 12%. For 2011/12 our revenue total funding is broken down into five elements as follows:



Council Tax

The Council Tax levied by the Council for 2011/12 was £99.36 at band D. This was held at the same level as 2010/11. Tewkesbury Borough Council has the lowest council tax in Gloucestershire and one of the lowest in England. The average council tax for English districts is £165.65. The following graph shows the average council tax for Gloucestershire local authorities including the Town and Parish Councils.



Budget Pressures and Medium Term Financial Forecast

The Council set its revenue budget for 2011/12 at the Council meeting in February 2011.

The Council has, for some time, identified known and anticipated expenditure pressures on a rolling five year basis.

Budgeting over the medium term results in the allocation of revenue funding to match known revenue pressures for 2012/13 and providing notional allocations for the following four financial years. This allocation has been undertaken on a priority basis linking with corporate improvement priorities, and the Council Plan and has, deliberately, placed more funds into frontline, key services for the public. Details of specific allocations are shown in Appendix A.

Based on estimated resources available and notional departmental revenue targets that have been set for the next five years, our medium term financial forecast is showing a balanced budget for 2012/13 to 2016/17. There are a number of high risk, and high cost, issues that will have a significant impact on future year's revenue budgets.

The following items will require further analysis and costing over the coming months, as more information becomes available:

Comprehensive Spending Review 2010
The Government's intention to cut public sector spending by £85bn over a four year period from 2011/12 are clear, and the reductions already announced for grant cuts to local government in 2011/12 and 2012/13 are merely the first stage of this process. Grant reductions for 2013/14 and 2014/15 will follow, and estimates of these are included in the strategy. This places increased pressure on Council services and Members will have very difficult decisions to make regarding service provision and levels of service within decreasing resources.

Reduced income because of the economic downturn
A number of income streams are reduced because of the economic downturn: Planning fee income, Building Control, Car Parking and Heritage Centre are all significantly down compared to budget. It is hoped that when the economy does start to recover that income will start to increase to former levels.

Income collection and the economic downturn
We continue to strive to improve our income collection rates in all major areas including council tax, business rates and sundry debtors. Challenging income targets have been set for 2012/13. However there is a significant impact from the current economic downturn and this has an affect on our ability to be able to achieve these targets.

Reduced return from council investments
The council has been very successful in recent years in generating significant returns on investments through its treasury management activity. In a

financially unstable market, we will not be able to achieve such rates of return for the foreseeable future. For 2011/12 we have assumed a rate of 1.11% return on all investments made. With the Bank of England base rate at 0.50% since March 2009, this target is challenging and represents a risk. There is also the continuing impact of the banking crisis within the Eurozone which is making it more difficult to place investments with banks carrying the highest credit ratings.

Icelandic bank Investment
The Council has a £1m investment in the Icelandic bank, Landsbanki. Following a series of legal cases in the Icelandic courts, the status of UK local authorities as preferred creditors has been established. The investment will now be repaid over a period of years, the actual amount repaid to the Council will depend on the value of the investments held by Landsbanki as they mature and exchange rates at the time of maturity.

Council Tax Freeze grant
The coalition Government has provided a grant equating to the revenue that would have been received for a 2.5% increase in Council Tax for the current year. The grant will last for 4 financial years. The Government has also offered a freeze grant for 2012/13 but this grant would only cover that financial year. The impact of the 2011/12 grant and that of the 2012/13 grant, if accepted, falling out of the council's revenue streams will need to be carefully planned for.

Localisation of Council Tax Benefit and Business Rates
The coalition Government has recently consulted on proposed changes to both the payments of council tax benefit and the retention of local Business Rates income. Both reforms could have wide-ranging impacts on the finances of the council and the residents of the Borough. The council will assess the impact once the final scheme designs have been issued.

Council Tax reform
The coalition Government is currently consulting on technical reforms to the council tax system in order to give greater flexibilities to local authorities. This reform could result in increases to the tax base of the council. The council will assess the impact once the final scheme design has been issued.

Local Government Finance and the Resource Review
The Government has undertaken a Resource Review of funding for local government, the impact of the changes in the methods and level of funding will take place from April 2013, for the 2013/14 financial year. At the time of producing this strategy several elements of funding are unknown after 2012/13:

Type of Funding	**2012/13 Funding - £**
Revenue support grant	72,352
NNDR retained by the Council	3,732,424
Housing benefit admin grant	456,085
Preventing homelessness	50,000

The impact of the Resource Review is also unknown and this will affect the level of grants above but also council tax benefit subsidy grant, level of rate retained and the level of council tax collectable from vacant homes. The uncertainty over this large area of funding is an area of significant risk for the Council and for service provision beyond 2012/13.

Reallocation of Resources

Over the past two years the Council has made significant changes in patterns of expenditure in order to reallocate resources from low to high priority areas. Savings on low priority areas such as: Management, car allowances, sports centres and public conveniences, has allowed additional investment in waste & recycling, land drainage & flood prevention, and support for young people with the aim of diverting them from crime, all of which are high priority. The Council has also invested significant capital sums in waste and housing which are two key priorities for the Council.

Savings Plan

The Medium Term Financial Strategy includes the following five year savings programme (see appendix A):

Savings theme	**2016/17 £**
Internal restructuring	200,000
Asset investment	180,000
Collaboration	355,000
Income Generation	511,070
Procurement	30,000
Non-priority services	36,000
Other	293,940
	£1,606,010

Town & Parish Councils

In the process of developing this strategy the Council's Budget Working Group met with all Town and Parish Councils. The support from all Town and Parish Councils was gratefully received.

Discussions included the Council's financial position, mutually beneficial projects, and the potential for capital funding. There were also discussions on council services, performance and additional support or services that could be offered. A number of Towns and Parish Councils offered support to the Council and opportunities are being explored further to achieve mutual benefit.

The relationship with Town and Parish Councils is important to the Council and will need to be developed further to deliver and fund local services locally in line with the Coalition Government focus on Localism.

Income Collection

Formal in-year collection targets have been set for Council Tax, Business Rates and Sundry Debt Income. The Council's major sources of income, as shown in the table below, will be monitored and reported on a regular basis.

The current financial climate has made it more difficult to achieve planned levels of collection and this is likely to continue throughout 2011/12 and into 2013/14. We encourage residents and businesses to talk to us if they are experiencing difficulty in paying bills, and payment arrangements are agreed in cases of hardship or difficulty.

Type of debt	Target % 12/13	Target % 13/14	Target % 14/15
Council Tax	98.75%	99.00%	99.00%
NDR	99.00%	99.25%	99.25%
Sundry Debt	94.00%	95.00%	95.00%

Council Tax and Non-Domestic Rates
Collection targets for the medium term period are based on achieving top quartile performance, using current quartile projections for our family group. Performance and targets will need to be monitored to ensure we keep pace with relative improvements in the family group. We will continue to promote Direct Debit as our preferred method of collection and will also explore further options to maximise the level of income collected.

Sundry Debt
There has been a significant improvement in the level of information provided to Budget Managers which has helped to drive a more positive culture of proactive income management. Initiatives to drive improvement have focused on increasing direct debit and payment in advance of service. These changes enabled us to make improvements throughout 2011and our 3 year targets reflect the result of this work. This will also enable us to compare favourably with the average district council. Further improvements will be made once the new finance system is embedded and improvements to the quality and quantity of payment channels open to the customer have been implemented.

Revenue Spend and Income Assumptions

In forecasting our future year expenditure commitments, a number of assumptions are made on increased costs such as inflation, income levels, grants and pension. The key assumptions made within our medium term forecast are as follows:

Key spending / inflation assumptions

Description	2012/13	2013/14	2014/15	Sensitivity
Pay	0.00%	1.00%	1.00%	+/- 0.50% = £34,000
General inflation	2.00%	2.00%	2.00%	+/- 0.50% = £25,000
Energy – increases	5%	5%	5%	+/- 5.0% = £25,000
Income - fees and charges	2.00%	2.00%	2.00%	+/- 0.50% = £28,000
Return on council investments	1.11%	2.00%	3.00%	+/- 0.50% = £125,000
Total Sensitivity / Risk re: changes to the above Expenditure assumptions:				**+/- £237,000**
Resources				**Sensitivity**
Council Tax	0.0%	3.0%	3.0%	+/- 0.50% = £16,000
Formula grant decrease	13.4%	0.8%	5.7%	+/- 0.50% = £21,000
Tax base	0.65%	0.65%	0.65%	+/- 5% = £160,000
Council Tax total collected	98.50%	98.50%	98.50%	+/- 1.0% = £32,000
Total Sensitivity / Risk re: changes to the above Resource assumptions:				**+/- £224,000**

Corporate Management Team and Executive Committee will continue to monitor, review and challenge the above assumptions for 2012/13 and 2013/14 to ensure any increases are kept to an absolute minimum. The figures used are simply an assumption to inform our financial model and likely to change, particularly in the current economic climate.

6. Capital Position & Strategy

Our financial strategy for capital is to use capital reserves to fund improvements to key services, extend the use of information technology in bringing efficiencies to services and provide financial assistance to the wider community in line with the councils aims and objectives. The Council currently has capital reserves of £17.3m, of which £4.9 m is committed to capital projects and grants.

We maintain the principle that capital schemes are only funded from the programme where all funding has been clearly identified and supported by business cases. Capital grants will only be made where there is evidence of 100% funding allocation against approved schemes. Capital investment is prioritised to ensure that outcomes are maximised against the Council's aims and priorities.

The Council remains committed to a significant capital investment programme despite the current economic climate (see appendix B). The Council will engage with partners in the delivery of affordable housing and disabled facilities grants, as this will not only contribute towards delivering improvement in housing, and quality of life for vulnerable people but will also help to sustain much needed work opportunities in the local area.

Significant schemes that will be delivered over the course of the medium term financial strategy include:

- £1.5m for disabled facilities grants
- £1.25m on community grants

7. Reserves and Balances

Revenue Reserves

The Audit Commission has previously indicated that monies should be carried forward where either:

- The service or goods have been received by 31st March or
- A firm commitment such as a signed contract is in place by 31st March

Where requests for monies to be carried forward do not fall within these categories they can be accommodated by creating an Earmarked Reserve. This requires Member approval for each item requested. Once approved, the reserve can only be used for the specific purpose for which it has been approved. Any change to the purpose and usage must be approved by Executive Committee.

The reporting of reserves in the Statement of Accounts is done on the basis of groups of similar reserves. A full list of reserves is shown at Appendix C. The groups for the Council are:

- **Funds held for third parties:** Funds held by the Council that would need to be returned to third parties if not used for the specific purpose required by the third party.
- **Funds held for third parties which the Council has discretion to utilise:** Council Funds held for the use of third parties but the Council still has discretion to use the funds elsewhere
- **Funds for forward management:** Funds built up over a period to offset future one-off events or to smooth funding over a longer period
- **Planning delivery grant:** A specific grant based on achievement in delivering planning services
- **Approved projects fund:** Options that were incomplete at the year end carried forward for completion in the following year.
- **Service specific funds:** Unspent revenue budgets carried forward for specific purposes or partially completed projects.
- **Asset maintenance reserve:** Funds specifically for asset maintenance that were either options or from specific maintenance budgets.
- **Council priorities fund:** Balance available, following the closure of the Council's accounts, for options.
- **General fund working balance:** Funds held by local authorities to offset cash flow difficulties and for use in emergencies. This also contains previously committed balances.

All approved reserves will be closely monitored and periodically reviewed with Lead Members. The reserves form part of the Council's budget in year and wherever possible should be spent in year. Only in exceptional circumstances should budgets/reserves be carried forward in the future.

Working Balance
The Council's 'Working Balance' is the revenue reserve that is set aside to cover any significant business risks that might arise outside of the set budget. This reserve was increased in June 2009 from £500,000 to £550,000 and again in June 2010 to £600,000. This equates to approximately 8% of net revenue budget for the year.

The Audit Commission does not provide specific guidance on what the level of council reserves should be other than that they should be adequate to cover potential risks. The Council has significantly improved the approach to risk management over recent years. Our strategic and operational risk registers are comprehensive and are regularly reported to, discussed and challenged by senior officers and members.

Reserves Strategy

In previous years the Council has relied upon capital reserves to support the budget. A working balance of £600,000 revenue and capital reserves in excess of £12m has always been considered to provide an adequate level of assurance and financial resources.

As plans progress to invest capital in projects there will be a requirement to increase revenue reserves, in addition to earmarked reserves and the working balance, to replace capital in order to place the Council in a strong financial position. This is particularly important during the period of economic instability we are currently experiencing.

The Council will receive funds each year from the Government in the form of New Homes Bonus. The projected receipts and use of these funds is shown in Appendix C. The aim of this programme of use of reserves is to place the council in a sound financial position, spend capital and revenue reserves to help balance the Council's budget and provide additional support and services to residents of the Borough and local businesses.

The principal uses of the Homes Bonus are:

- Support to local businesses through a grants scheme
- Funding for the Council's enabling role in helping local communities to take action to deliver projects and initiatives in their area.
- Funding for voluntary/community transport
- To keep council tax low whilst maintaining good quality services
- Investment in technology

8. Revised Approach to Treasury Management

The Council is currently a debt free authority but does have a significant investment portfolio.

The council's approach to Treasury Management has been significantly revised since the collapse of the Icelandic banking institutions in October '08. The Council has £1m invested with the failed bank, Landsbanki and has recently been advised that its status as a priority creditor with the bank has been affirmed and the first repayment of the investment monies will take place shortly.

The strategy has also been affected by the on-going economic climate. The UK economy is continuing its weak recovery from the 2008/09 recession, with GDP growth forecast to be around just 1.0% in 2011 and likely to remain sluggish throughout much of 2012. Government spending cuts, rising unemployment and uncertain export markets are conspiring to keep demand low, and a "double dip" recession cannot be ruled out. Consumer price inflation, which peaked at 5.2% in September, is expected to fall sharply as one-off factors like 2010's VAT increase and fuel price rises fall out of the annual comparison.

In these circumstances, the Bank of England is unlikely to raise Bank Rate for several months, and additional quantitative easing is seen by many as being more likely than rate increases in the near future. However, once a more robust recovery appears to be taking root, the Bank is likely to prefer to gradually raise interest rates earlier, rather than waiting too late and needing to make a sharp correction.

The Eurozone sovereign debt crisis remains a major driver of market sentiment and with the UK seen a safe haven, gilt yields and hence Public Works Loans Board (PWLB) rates, have fallen markedly this year. Assuming that there is some resolution to the crisis, long-term rates are likely to climb back to more normal levels in 2012/13.

A second UK recession or a European sovereign default would see short and long term interest rates remaining lower for longer, while a faster economic recovery and a bold solution to the Eurozone crisis would be likely to see rates rise more quickly.

The Council has, in recent years, been highly successful in generating significant investment returns from proactive treasury management. We optimise the use of our cashflow to ensure that we minimise our borrowing whilst aiming to achieve high rates of investment income whilst minimising risk. Given the risk in the market as highlighted earlier, the current strategy leans more towards avoidance of risk than maximising returns and, as a result, both counterparties and lengths of deposit have been severely restricted.

We publish an annual Treasury Management Strategy which details our borrowing limits and specifies approved institutions for investment, considering risk (with maximum limits) based on credit ratings.

With low interest rates, the Council is now adopting a strategy of exploring other investment opportunities such as property investment.

We are continually looking for safe alternative investments in other areas such as property investments. The current problems in the banking sector mean that risks in cash investments are higher than normal at present and returns are lower than would be expected. If any alternative opportunities do arise the Council will consider investing to help retain a low level of council tax.

Borrowing Limits

The Council is required to set out its Annual Borrowing and Investment Strategy recognising its implications on the Council's revenue budget.

It is a statutory duty under the Local Government Act 2003 for the council to determine and keep under review how much it can afford to borrow. The Council must have regard to the Prudential Code when setting its Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council Tax and Council rent levels is 'acceptable'.

The council approved its revised Treasury Management and Investment Strategy in February 2011. In this Strategy the Council has approved the following borrowing limits:

- The Authorised Borrowing limits of 2009/10 = £12m, 2010/11 = £12m and 2011/12 = £12m;
- The Operational Boundary limit of 2009/10 = £10m, 2010/11 = £10m and 2011/12 = £10m

Treasury Management Targets

Treasury Management activities are monitored on a quarterly basis by the Portfolio Holder for Finance and Asset Management. Meetings are held with Senior Officers and Sterling, the council's treasury advisors

Despite low interest rates, the council will still require to undertake a number of investments in each financial year which is linked to the timing of core income being received and payments being made. The targets for financial returns for investments which have been built into the MTFS are shown below:

Targets for Investment & Borrowing Percentage Rates

Financial year	Rate of return for **new** investments	Average borrowing as @ 31 March
2011/12	1.11%	0%
2012/13	2.00%	0%
2013/14	3.00%	0%

Minimum Revenue Provision (MRP) Policy

Should the Council wish to borrow money to finance capital expenditure, it will be required to make a revenue charge each year to provide for the repayment of loans taken out. This has been historically based on regulations stating that 4% of the Non-HRA capital financing requirement at the end of each year be charged to revenue in the following year.

An amendment to the Government's Capital Financing Regulations, replaces the present rules with a simple duty for an authority each year to make an amount of Minimum Revenue Provision which it considered to be "prudent". The prudent provision is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits.

Under the new regulations, the authority is required before the start of each financial year to prepare a statement of its policy on making MRP and submit it to the full Council. The approved policy for 2011/12 is as follows:

Supported Borrowing
For borrowing supported by Revenue Support Grant the Council will continue to use the current method of 4% of the adjusted Non-HRA capital financing requirement.

Unsupported Borrowing
For new borrowing under the prudential system for which no Government support is being given and is therefore self-financed, MRP will be made in equal annual installments over the life of the asset.

Capitalisation Directions
For capitalisation directions on expenditure incurred since 1 April 2008 MRP will be made in equal annual installments over 20 years in line with CLG guidance.

In all cases MRP will commence in the financial year following the year in which the expenditure is incurred.

9. Efficiencies and Value for Money

The Government has since removed the requirement previously placed on Councils to create specific targets for savings of at least 4%. The Government has stressed, however, that it expects councils to achieve value for money and a new, lighter touch, audit assessment is being developed to replace the Use of Resources assessment.

Our overall approach to Value for Money is improving. This has been recognised by the Audit Commission in their annual audit letter for 2010/11. We can demonstrate that we undertake a robust challenge on the costs and performance of our core services.

A major change to service provision in 2010/11 was the introduction of the new waste strategy, which increased recycling in the Borough to well in excess of 50% without increasing expenditure on the service. This was achieved with increased public satisfaction in the service.

Another significant service review has been carried out on the Council’s benefits service. This work has allowed the Council to cope with a 20% increase in benefit claims since 2008 with fewer staff, and at a lower cost to the taxpayer.

The Council continues to invest in technology in order to provide better services to the customer whilst reducing the cost of those services. Examples of this investment include the new finance system, new payment channels and the use of technology in processing benefit claims.

The Council has recently commissioned a Value for Money statistical review from CIPFA. This will be used as the basis for future VFM work, and as a measure of future improvement.

In addition to formal VFM reviews, the council will continue to progress with a number of initiatives that will improve efficiencies such as the service review programme which was agreed by the Council’s Executive Committee in October 2011.Current reviews include: Development Control, Waste and Depot Services and Customer Services

The Council has introduced a number of shared services in partnership with neighbouring councils. Building Control and Legal are provided jointly for Tewkesbury and Cheltenham, there is shared property service between Tewkesbury and Forest of Dean and also a shared cemeteries service with Cheltenham. A shared waste company is being explored for Gloucestershire.

The Council will continue to improve the alignment between Value for Money and efficiency through developing it’s service review programme, feeding into an overall council-wide delivery plan; that will be approved and monitored by the Corporate management team.

New project management arrangements have been introduced which have had a significant effect on projects and the support available to project managers. Major projects are monitored by the DRIVE programme board.

10. Financial Management Arrangements, Governance and Risk

The council has been working on improving its financial management and governance arrangements for a number of years. Financial Management has improved, performance management has improved, scrutiny has developed and an independent audit committee is operating well. Further work on project management, budget monitoring and training will be carried out over the next year.

The council's medium term strategy now focuses on joining up the individual elements to ensure effective, integrated monitoring and management of:

- Council Plan / corporate improvement priorities;
- Key performance indicator information;
- Revenue budget and spending linked to priorities;
- Delivery against revenue delivery plans;
- Delivery of Value for Money and overall efficiency targets;
- Delivery of the capital programme linked to corporate priorities

The Audit Committee will continue to provide an essential role in ensuring that we provide effective governance. In particular, their quarterly meetings will challenge progress made against internal and external audit plan, reports and recommendations.

The shared service arrangements with Cheltenham Council for Building Control and Legal Services require careful monitoring, both in terms of service delivery and the achievement of proposed savings. The core objective of this is to improve the quality and efficiency of services. Effective contract monitoring arrangements were implemented early in the 2010/11 financial year.

A new financial management system was implemented in 2011/12 to provide more timely and appropriate financial information to budget holders and managers.

To ensure that our financial procedures and practices are reviewed, up to date and reflect the operational business requirements and risks that the council faces, revised Financial Procedure Rules have been submitted to, and approved by our Executive Committee.

To give assurance that business risks are identified, evaluated and managed the Council has had in place for a number of years a risk management framework, monitored by the Corporate Governance Group. This helps facilitate the management of strategic and operational risks to ensure, that in particular significant risks are adequately mitigated. This process helps to achieve our overall business objectives.

Consultation

The Council's Budget Working Group met with all town and parish councils in 2009 to discuss the Council's financial position, mutually beneficial projects, and the potential for capital funding. There were also discussions on council services, performance and additional support or services that could be offered.

The Council is planning to repeat this process to discuss with parish councils projects and issues relating to the localism agenda and where the Council can help either through committing staff resources to support parishes or by funding from the Council's reserve funded from homes bonus.

The Borough Council also hosts regular seminars, to which all Town and Parish Councils are invited, initially these were intended to be six-monthly but at the request of those attending, they will now be held quarterly.

The Council has acquired a web based budget consultation tool, "You Choose" which will be used to consult stakeholders regarding Council spend, possible service reductions, council tax levels and additional spend on services

Consultation with all our stakeholders continues to evolve and improve The Council is committed to Improving community involvement and engagement, as this is a key element of consultation contained in the DRIVE Programme.

Measuring our progress

Quarterly reporting on progress made against specific corporate plan measures and targets will continue to be presented to Executive and Scrutiny Committees using the summary service delivery plans. The key targets as detailed in this medium term financial strategy will be incorporated within the reports.

External Assessment

The Audit Commission's annual VFM assessment is the main measure that will demonstrate progress regarding improving our financial monitoring and management. The Government has announced the abolition of the Audit Commission, but the replacement method of external scrutiny has still to be announced. The Audit Commission will continue their role until the end of 2012 at least.

A new framework for assessing VFM is being developed by the Government and the Audit Commission. This will replace the Use of Resources assessment that was removed by the Government. The framework has been in force since 2010/11, and the next assessment will take place as part of the annual audit carried out in the summer of 2012. The assessment for 2011/12 is published on the Council's website.