

Cheltenham Borough Council

Cabinet – 10th February 2015

Council – 13th February 2015

General Fund Revenue and Capital – Revised Budget 2014/15, and Final Budget Proposals 2015/16

Accountable member	Cabinet Member for Finance, Councillor John Rawson
Accountable officer	Director of Corporate Resources (Section 151 Officer), Mark Sheldon
Accountable scrutiny committee	Overview and Scrutiny Committee
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the revised budget for 2014/15 and the Cabinet's final budget proposals and pay policy statement for 2015/16.
Recommendations	<p>Cabinet / Council</p> <ol style="list-style-type: none">1. Note the revised budget for 2014/15 and approve one-off contribution from general balances of £178,250 as detailed in Section 3.2.2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £187.12 for the year 2015/16 (a 0% increase based on a Band D property).4. Approve the growth proposals, including one off initiatives at Appendix 4.5. Approve the savings / additional income and the budget strategy at Appendix 5.6. Approve the use of reserves and general balances and notes the projected level of reserves, as detailed at Appendix 6.7. Approve the proposed capital programme at Appendix 7, as outlined in Section 10, including the additional underwriting of £90,000 to support the Art Gallery and Museum redevelopment scheme.8. Approve the Pay Policy Statement for 2015/16, including the continued payment of a living wage supplement at Appendix 8.9. Approve a level of supplementary estimate of £100,000 for

2015/16 as outlined in Section 15.

10. Approve no change to the Local Council Tax support scheme in 2015/16 (para 4.19).

11. Note that the Council will remain in the Gloucestershire business rates pool for 2015/16 (para 4.9).

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Sarah Didcote.</p> <p>E-mail: sarah.didcote@cheltenham.gov.uk</p> <p>Tel no: 01242 264125</p>
Legal implications	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>The Local Government Act 2012 introduced a radical change to the local government finance system. The key changes introduced by the Act were:</p> <ul style="list-style-type: none">• implementation of the Business Rates Retention Scheme;• replacement of the existing Council Tax Benefit system with local Council Tax Support;• implementation of changes to council tax rules to provide some local flexibility on the council tax local authorities can charge on empty properties. <p>All of the above changes came into effect for the 2013/14 financial year.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements.</p> <p>The Localism Act 2011 also contains requirements for local authorities to hold a referendum where council tax is proposed above a specific 2% increase.</p> <p>Section 25 of the 2003 Local Government Act requires the authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@tewkesbury.gov.uk</p> <p>Tel no: 01684 272012</p>

HR implications (including learning and organisational development)	<p>In the spirit of building on our positive employee relations environment, the recognised trade unions received a budget briefing at the Joint Consultative Committee on 23rd October 2014. Dialogue with the recognised trade unions will continue in order to ensure that the potential impact on employees is kept to a minimum and in doing so help to avoid the need for any compulsory redundancies. The Council's policies on managing change and consultation will be followed.</p> <p>Going forward, it is important that capacity is carefully monitored and managed in respect of any reductions in staffing and reduced income streams.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.
Environmental and climate change implications	The final budget contains a number of proposals for improving the local environment, as set out in this report.

The Council takes its statutory duties to promote equality of opportunity seriously. The 2010 Equality Act sets out that we must have due regard to the need to advance equality of opportunity between people who share a protected characteristic and those who do not. The groups that share a protected characteristic include those defined by age, ethnicity, disability, religion or belief and sexual orientation.

The Cabinet Member Finance and Section 151 Officer have been mindful of this statutory duty in how the budget proposals have been prepared. The community and equality impacts of the various budget proposals are as follows:

Budget Proposal	Potential community and equality impacts and any mitigating actions
Organisational changes, including management and staff restructuring	Ensuring that our human resource processes used to enable staff restructuring are compliant with equality legislation
Shared services	As above, ensuring that our human resource processes, used to enable staff restructuring are compliant with equality legislation
Commissioning	Ensuring that the equality and community impacts of commissioning reviews are assessed.
Supplies and services savings	None identified
Reductions in Everyman and Regeneration Partnership grants already agreed in previous budgets	None identified – budget savings were set out in the grant agreements already entered into

1. Background

- 1.1** In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2015. The consultation took place between the period 17th December 2014 to 26th January 2015 and this report sets out the final proposals for 2015/16.
- 1.2** The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, around 50% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.
- 1.3** The New Homes Bonus forms an integral part of the financing of local government and is indeed used in the Government's preferred terminology of 'Spending Power' that it utilises when the settlement is announced. The final budget proposals sets out clearly the anticipated use of New Homes Bonus to support the Council's spending requirement.

2. Budget Assessment of the Section 151 Officer

- 2.1** Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on HRA to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.
- 2.2** The Section 151 Officer is satisfied that the proposed budget for 2015/16 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2015/16. The Section 151 Officer has taken a risk based approach to his assessment which is attached at Appendix 2.

3. 2014/15 Budget Monitoring to November 2014

- 3.1** The budget monitoring report to the end of November 2014, considered by Cabinet on 13th January 2015, identified there may be a net overspend against the budget of £178,250. However the reported financial position of Ubico in the first half year indicates that there will be a contribution payable to the Council for 2014/15 of approximately £180,000. It is therefore expected that the overall position for the Council will be within budget for 2014/15.
- 3.2** The Cabinet recommends to Council, that a contribution of £178,250 be made from general balances, based on the position as at November 2014. It is anticipated that the general reserve will be replenished at the financial year end, upon confirmation of the Ubico outturn for 2014/15.

4. Finance and significant changes to Local Government Finance

- 4.1** On 5th February 2014, the Local Government Minister announced the final local government settlement for 2014/15 and the illustrative settlement for 2015/16, the latter of which equated to a further grant reduction in cash terms of £0.835 million or 15.3%.

- 4.2** This means that since 2009/10, the Council's core funding from the Government has been cut by some £5 million, from £8.8 million to £3.8 million (this excludes council tax support funding which transferred into the settlement funding assessment in 2013/14).
- 4.3** On 18th December 2014, the Local Government minister announced the provisional local government settlement for 2015/16. Due to the general election which will take place in 2015, no indicative or provision figures have been supplied for 2016/17 or later years. The final settlement for 2015/16 is due to be announced on 10th February 2015 and will be incorporated into the 2015/16 final budget proposals.
- 4.4** The proposed levels of Government funding for this Council are set out in the table below which also shows recent reductions in funding. Overall, core Government funding (referred to as the Settlement Funding Assessment) will reduce by 14.0% in 2015/16.

	2013/14	2014/15	2015/16
	£ 000	£ 000	£ 000
Revenue Support Grant	3,731	2,921	2,110
Baseline Funding (Cheltenham's target level of retained business rates)	2,482	2,530	2,579
Settlement Funding Assessment	6,213	5,451	4,689
Actual cash (decrease) over previous year		(0.762)	(0.762)
% reduction in funding		12.3%	14.0%

- 4.5** The Council has benefited from the inclusion of council tax freeze grant (in respect of 2014/15) within the Revenue Support Grant element of the settlement funding assessment.

Business Rate Retention and Pooling

- 4.6** The Business Rates Retention Scheme was introduced on 1st April 2013. Under the Scheme, the Council retains some of the business rates raised locally. The business rates yield is divided - 50% locally and 50% to the Government. The Government's share is paid into a central pool and redirected to local government through other grants. Of the 50% local share, the District Council's share has been set at 80%, with the County Council's share being 20%. A tariff is applied to reduce the local share to a baseline funding level set by the Government. Where the value of retained business rates exceeds the baseline funding level, 50% of the surplus is paid over to the Government as a levy; the remaining 50% can be retained by the Council.
- 4.7** In order to maximise the value of business rates retained within Gloucestershire, the Council entered into the Gloucestershire Business Rates Pool. Being a part of the Pool has the benefit of reducing the levy from 50% to 19%. Any surpluses generated by the Pool will be allocated in accordance with the governance arrangements agreed by the Gloucestershire Councils.

- 4.8** The Gloucestershire Chief Finance Officers have monitored the financial performance of the Business Rates Pool during 2013/14 and the first six months of 2014/15. As previously reported, the performance of the Pool exceeded expectations in 2013/14, and at the time of writing this report, the performance of the Pool is still expected to generate an overall surplus for 2014/15. However, the final 2014/15 position will not be known until the summer of 2015 when the final out-turn position is declared for each Gloucestershire billing authority.
- 4.9** The Chief Finance Officers are satisfied that the Pool remains viable in its current form and that sustainable surpluses from the Pool will contribute towards the savings targets identified in future years. The Chief Finance Officers are recommending that the Pool continues in its current form.
- 4.10** The Autumn Statements in 2013 and 2014 included an extension to the Small Business Rate Relief from 50% to 100% for each year, as well as introducing a new £1,000 discount for small business with a rateable value below £50,000 (2014/15) which was increased to £1,500 for 2015/16. A commitment has been made to fully compensate local government for lost business rates. This compensation will be paid by a specific grant from DCLG (section 31 grant).
- 4.11** One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the Department for Communities and Local Government. The NNDR1 return was submitted to the Department of Communities and Local Government (DCLG) by the deadline of 31st January 2015 and the budget is based on the figures within that return. The table below incorporates figures from the NNDR1 return and it is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position is £681,751; an increase of £340,696 from that predicted in the interim budget proposals.

	2015/16 £
Estimate of retained business rates	22,236,357
Tariff to government	(19,084,298)
Grant to compensate for government decisions (e.g. Small business rate relief and Localism Act reliefs)	753,259
Estimated levy payable to government	(644,616)
Net retained business rates	3,260,702
Less Baseline Funding (Cheltenham BC Target level of retained business rates)	(2,578,951)
Net surplus on business rates in 2015/16 against baseline funding	681,751
Surplus adjustment in respect of 2013/14 (one-off)	187,360
Surplus adjustment in respect of 2014/15 (one-off estimated)	322,281
Additional one-off adjustments in respect of previous years surpluses from retained business rates	509,641

- 4.12** Overall, the Council has overachieved from BRRS in the period 2013/14 to 2014/15. However, due to current government regulations governing when amounts can be credited to the General Fund, the General Fund cannot be credited with its share of the growth until at least the year after it is received.

- 4.13** The move to local business rates retention appears to be a positive one, but local authorities have faced a series of obstacles in trying to make it a success. The Government's desire is to make sure that the system is fair and that there is a balance between incentives and managing risks, although it is nearly two years since business rates retention was introduced and the rules are still changing. Local authorities have been inundated with various regulation updates but we are still struggling to get access to critical information, such as the likely outcome of appeals against business rates.
- 4.14** Given the volatility surrounding business rates and the risk of a deficit in future years (due to the number of appeals still outstanding and the proposed changes to the time-period in which appeals can be lodged), the Cabinet is minded, on the advice of the Section 151 Officer, to allocate £100k of the one-off funding from previous years surpluses into the BRR earmarked reserve as detailed in Section 9.

New Homes Bonus (NHB)

- 4.15** The Government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This provides £1,467 for each new property for six years (based on national average for band D property – i.e. £8,800 per dwelling over six years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).
- 4.16** Funding is not ring-fenced and is designed to allow the benefits of growth to be returned to communities. Funding is split 80:20 between district and county authorities, although it is now recognised that the funding from this scheme comes from top sliced Revenue Support Grant (RSG), which will reduce significantly over the coming years to compensate for the NHB payments.
- 4.17** The Government has announced the allocation of NHB Grant for 2015/16. For this Council, NHB Grant will increase by £507,554 from £1,098,131 to £1,605,685. The grant recognises net growth in the Council Tax base of 388 properties between October 2013 and October 2014 and the development of 225 affordable housing units.

Parish Council Support Grant

- 4.18** The Local Council Tax Support (LCTS) scheme operates in a similar way to discounts, such as for empty properties or single person occupiers. Rather than being accounted for as a benefit cash payment, the council tax base is reduced. Whilst this has no impact for the individual council tax payer, a lower council tax base reduces the tax yield to this Council, Gloucestershire County Council, Gloucestershire Police Authority and town and parish Councils. To offset this impact, the Government pays a cash grant to all local authorities. The element of grant attributable to town and parish councils is paid to the billing authority (i.e. this Council). It is for each billing authority to agree with its town and parish councils any mechanism for paying over a share of the overall grant paid to the billing authority.
- 4.19** For 2013/14 and 2014/15, the value of grant awarded to the 5 parish councils for LCTS was £10,269. Funding for Local Council Tax Support has been "rolled in" to the Revenue Support Grant and the Retained Business Rates Baseline Funding Position. As Government funding reduces, the Council will be under pressure to reduce the funding available for Local Council Tax Support available to town and parish councils. However, in order to give parish councils a degree of financial stability and give them the assurance they need to set their own precepts, once again it is not proposed to pass on any reductions in 2015/16.

Council Tax

- 4.20** The Localism Act 2011 introduced a power to the Secretary of State for Communities and Local Government to issue principles that define what should be considered as an excessive council tax increase and to set limits. Any council that wishes to raise its council tax above the limit will have to hold a referendum, the result of which will be binding. The proposed limit for 2015/16 has been announced at 2%.
- 4.21** For the past four years the Council has frozen its council tax precept at £187.12 a year for a Band D taxpayer. In other words, no increase has been imposed since 2010. Maintaining this council tax freeze has not been easy, bearing in mind the pressures on our finances that we have endured in the meantime. However, in proposing this course of action, the Cabinet has borne in mind the difficult economic and financial climate that many of our residents face.
- 4.22** The continuation of the council tax freeze in 2015/16 will avoid adding to the financial burden of residents, many of whom are still facing difficult financial circumstances. Currently the Government is offering councils roughly half the cost of freezing council tax in 2015/16 (estimated as £81,700), when compared with increasing council tax by 2%. Furthermore, the Government has now stated that the grant will be rolled into the spending review baseline and has therefore committed to the funding being available for future years.

Collection Fund

- 4.23** In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund surplus for 2014/15 is £111,100 which will be credited to the General Fund in 2015/16. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates.

5. Unavoidable budget pressures

- 5.1** In addition to funding pressures from cuts to Government funding, the Council is also facing costs pressure from the triennial valuation of the Gloucestershire Local Government Pension Scheme. The Council has made provision for growth in contributions to the Pension Fund of £406,000 for each of the next three years (2016/17 to 2018/19).
- 5.2** Workplace pension law has changed. Every employer now has new legal duties to help their workers in the UK save for retirement. Employers must automatically enrol certain workers into a qualifying workplace Pension scheme and make contributions towards it. The financial impact of pension auto-enrolment has now been determined and consequently been built into the base budget in 2015/16.

6. The Cabinet's general approach to the 2015/16 budget

- 6.1** In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's costs. The Cabinet's aim is to hold down council tax as far as possible, while also protecting frontline services.
- 6.2** The Cabinet's budget strategy for 2015/16, approved at a meeting on 14th October 2014, included an estimate of £0.902m for the 2015/16 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available assuming a 15.3% cut in government support.

- 6.3** The final assessment of the budget gap for 2015/16, based on the detailed budget preparation undertaken over recent months and the assumed financial settlement is £1.044m which takes into account the following variations:
- A further year's freeze in council tax in 2015/16
 - A further year's freeze in car parking charges
- 6.4** The key aims in developing the approach to the budget were to:
- Do everything possible to protect frontline services without the need to increase council tax
 - Identify savings that can be achieved through reorganisation of service delivery or raising additional income rather than through service cuts
- 6.5** In preparing the 2015/16 budget proposals, the Cabinet and officers have:
- Prepared a budget projection under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The full list of proposals for growth, including one off initiatives, is included in Appendix 4.
 - Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
 - Budgeted for pay inflation at 1.2% for 2015/16 over and above the 2014/15 base.
 - Increased income budgets assuming an average increase in fees and charges of 2.0%, with some exceptions. Property rents have not been inflated but are now set in line with rent projections based on property leases. The Cabinet proposes to freeze car park charges, lifeline charges and building control fees. The costs have been shown as growth within the budget proposals.
 - Taken the decision last October to increase green waste charges by £1 to £38 per annum from February 2015. Those residents taking advantage of the discount for prompt renewal will benefit from an 'early bird' discount and pay just £36.
 - Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.
- 6.6** As in previous years, the budget for the coming year is the result of a great deal of activity and hard work by officers and members all through the year. The Cabinet has worked with officers to develop the Bridging the Gap (BtG) programme using the BtG group supported by the Senior Leadership Team. The Cabinet's final budget proposals for closing the budget gap in 2015/16, which are the result of this work, are detailed in Appendix 5.
- 6.7** The Bridging the Gap programme and the commissioning process have also helped the Council to move towards a robust five-year strategy for closing the funding gap. The work done on leisure and culture services, ICT services, management restructuring and accommodation strategy, as well as a number of smaller pieces of work, give the Council the opportunity to think ahead over a period of several years, rather than planning its budgets a year at a time.
- 6.8** This budget proposes to make fuller use of the New Homes Bonus i.e. an additional £350k, to support the revenue budget. This reflects the Government's view that the New Homes Bonus is part of local authorities' income stream and not simply a "nice to have" extra. However we are well aware that the New Homes Bonus may in future years be a fluctuating source of income. Accordingly we have limited the amount of New Homes Bonus income being directly taken into

the revenue budget to a total of £1,050,000, which is 65% of the total expected income in 2015/16 of £1.605m. It is proposed that the remainder should be earmarked for one off or time-limited spending or put towards this Council's contribution to the 2020 Vision Programme.

- 6.9 The proposed one-off uses of New Homes Bonus income include: £50k to support the well-liked and very effective Community Pride grant scheme.
- 6.10 The Cabinet and SLT have been anticipating the need to make significant savings and have been actively managing vacancies and staffing levels in order to minimise the impact of service reviews, systems thinking and savings initiatives.
- 6.11 Since the interim budget 2015/16 was published, a number of changes have been made to the budget as a result of further work, and taking into account the consultation. They are documented in the supporting appendices to the report and include the following significant variations:

	£000's
Retained Business Rates	(341) k
Additional income as a result of the collection fund surplus	(61) k
Contribution to the Joint Core Strategy Partnership	60 k
Contribution to Business Rate Retention reserve	100 k
Contribution to Local Plan reserve	100 k
Increased contribution to planned maintenance	150 k

7. Treasury Management

- 7.1 Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 7.2 The Bank of England remain cautious in raising the Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in the Bank Rate is expected in Quarter 2 of the 2015/16 financial year and they expect increases after that to be at a slow pace. With this in mind, for 2015/16 interest payable will increase by £13,100 and interest receivable will increase slightly by £18,600. As a result, the net impact on the 2015/16 budget is an increase in net treasury income of £5,500.

8. Longer term planning: the 2020 Vision

- 8.1 A separate report (2020 Vision) has been considered by Cabinet at its meeting on 16th December 2014. This 2020 Vision is one of the means by which this Council could bridge the medium term funding gap which still remains, despite several years of budget savings and intensive cost-cutting.
- 8.2 2020 Vision represents an ambitious model for how four councils can work together more effectively, whilst each retaining their own decision-making powers, political independence and identity. Through joined-up working the aim is to create new shared staffing and management arrangements, to deliver high quality services and to generate savings potentially amounting to some £5.2 million per annum to be shared by the partner authorities.
- 8.3 The Government has welcomed the 2020 Vision and has made a total of £3.8 million available to the four partner councils to assist with the development costs. However, given that a number of the savings proposed in future years arise from organisational changes which may require one-off sums to cover the costs of redundancy and early retirement, there are likely to be additional costs estimated at £1.095m spread over five years. Should the Council proceed with this initiative, it is proposed to fund these costs from the New Homes Bonus.

9. Reserves

- 9.1** Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to comment upon “the robustness of the estimates and the adequacy of the reserves for which the budget provides”.
- 9.2** As detailed in paragraph 4.6 above, under the new regime, around 40% of the Council’s Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. Given the volatility of this area the Cabinet proposes to increase the balance held in the BRR earmarked reserve by £100,000 to cover any deficits that may arise in the future through additional successful appeals or empty business properties; to be funded from the balance of additional one-off income projected from previous years surpluses from retained business rates receivable in 2015/16.
- 9.3** A projection of the level of reserves to be held at 31st March 2015 and 31st March 2016 respectively is detailed in Appendix 6.

10. Capital Programme

- 10.1** The proposed capital programme for the period 2014/15 to 2018/19 is at Appendix 7.
- 10.2** The programme includes provisional sums for infrastructure investment to be funded from the Civic Pride reserve and the construction of new homes through Cheltenham Borough Homes. It also includes the next phase of the ICT infrastructure upgrade strategy, agreed by Cabinet on 11th December 2012.
- 10.3** The programme proposed in this budget includes provisional sums for infrastructure investment to be funded from the Civic Pride reserve and investment in new build to be delivered through Cheltenham Borough Homes. It also includes the next phase of the ICT Infrastructure Upgrade strategy, agreed by Cabinet on 11th December 2012.
- 10.4** The costs for the redevelopment of the Art Gallery and Museum (The Wilson) are being finalised. Whilst fundraising is still ongoing, at this stage there is a funding shortfall and the amount required to be underwritten by the Council exceeds the amount approved on 14th February 2014 by £90,000. For this reason, the Capital Programme which forms part of this budget includes a provision for the amount of the additional underwriting required, which may reduce as fundraising is achieved.
- 10.5** The General Fund budget for St Pauls Phase 2 transformational improvements has been removed from the capital programme pending an ongoing review of the scheme.
- 10.6** Looking more broadly at how the Council can use its capital programme to improve the town, the sale of North Place and Portland Street car parks during 2013/14 has released substantial additional capital. A list of potential infrastructure investment projects across the town has now been developed in consultation with the Budget Scrutiny Working Group, aimed at achieving our aspirations for a vibrant, beautiful and prosperous town. It is proposed that a fuller capital programme will be brought to Council in March, alongside the draft Asset Management Plan which is currently being prepared.

11. Property Maintenance Programmes

- 11.1** The budget proposals include a revenue contribution of £850k (including a £150k one off top up) to planned maintenance, which will be enough to fund a substantial programme. The approach to planning for and funding of the planned maintenance programme is being reviewed in the

preparation of the council's Asset Management Plan and Capital strategy, and developed to include an equipment replacement programme. The resultant planned maintenance programme will be subject to review by the Asset Management Working Group prior to consideration by the Cabinet and Council.

12. Pay Policy Statement

12.1 Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.

12.2 The Pay Policy attached at Appendix 8 includes the following key requirements of the Localism Act 2011:

- policy on pay for each of the 'in scope' Officers;
- policy on the relationship between Chief Officers and other Officers;
- policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

13. Reasons for recommendations

13.1 As outlined in the report.

14. Consultation and feedback

14.1 The formal budget consultation on the detailed interim budget proposals took place over the period **17th December 2014 to 26th January 2015**. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed.

14.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 6th January 2015 and comments have been fed back to the Cabinet.

14.3 The Cabinet has used the budget consultation to engage the residents of Cheltenham in the discussion of what our wider investment priorities should be, possibly funded by capital monies received from the sale of North Place and Portland Street car parks. The results of this consultation are contained in Appendix 9.

14.4 A summary of the budget consultation responses and the Cabinet's response to them in arriving at the final budget proposals, are contained in Appendix 9. A copy of the detailed responses is available in the Members' room.

15. Supplementary Estimates

15.1 Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise

during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2015/16 to be met from the General Reserve, the same level as in 2014/15.

16. Alternative budget proposals

- 16.1** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Section 151 Officer and / or the appropriate Strategic Director / Chief Executive (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed changes are properly captured.
- 16.2** It is also important that there is time for Members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

17. Final budget proposals and Council approval

- 17.1** The Cabinet has presented firm budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.
- 17.2** If it accepts the recommendation of the Cabinet, without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.
- 17.3** An in-principle decision will automatically become effective 5 working days from the date of the Council's decision, unless the Leader informs the Section 151 Officer in writing within 5 working days that he objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.
- 17.4** In that case, another Council meeting will be called within 7 working days of the date of appeal when the Council will be required to re-consider its decision and the Leader's written submission. The Council may (i) approve the Cabinet's recommendation by a simple majority of votes cast at the meeting or (ii) approve a different decision which does not accord with the recommendation of the Cabinet by a majority. The decision will then become effective immediately.

18. Performance management – monitoring and review

- 18.1** The scale of budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from delivery of services to delivery of savings. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.
- 18.2** The delivery of the savings workstreams included in the interim budget proposals, if approved by full Council, will be monitored by the BtG group.

Report author	<p>Sarah Didcote, GO Shared Services Business Partner Manager</p> <p>Tel. 01242 264125;</p> <p>e-mail address sarah.didcote@cheltenham.gov.uk</p>
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Section 151 Officer budget assessment 3. Summary net budget requirement 4. Growth 5. Savings / additional income 6. Projection of reserves 7. Capital programme 8. Pay Policy Statement 9. Summary of budget consultation and Cabinet response
Background information	<ol style="list-style-type: none"> 1. MTFS 2012/13 to 2017/18 2. Budget Monitoring Report 2014/15 position as at November 2014 (Cabinet 13^h January 2015)

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
1.01	If the council is unable to come up with long term solutions which bridge the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Mark Sheldon	15 December 2010	4	4	16	R	The Cabinet have developed a budget strategy which identifies longer term savings targets for closing the MTFS funding gap including targets for commissioning projects and the 2020 vision programme based on approved business cases.	ongoing	Director of Corporate Resources	26 January 2011
1.02	If the robustness of the income proposals are not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	Mark Sheldon	15 December 2010	3	3	9	R	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets which are monitored throughout the year and reported through the budget monitoring reports to cabinet. The 2015/16 budget addresses some areas of concern including car parking targets.	ongoing	Director of Corporate Resources	
1.03	If when developing a longer term strategy to meet the MTFS, the council does not make the public aware of its financial position and	Jane Griffiths	15 December 2010	3	3	9	R	As part of the delivery of the BtG / commissioning programmes there needs to be a clear communication strategy.	ongoing	Communications team to support the BTG programme	

	clearly articulates why it is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease.							In adopting a commissioning culture the council is basing decisions on customer outcomes which should address satisfaction levels.			
1.04	If there is a reliance on shared services delivering savings and these savings do not materialise or shared service projects do not proceed as anticipated then other savings will need to be found to meet the MTFS projections.	Pat Pratley	15 December 2010	3	3	9	R	All shared services are operated under prince 2 principles, with clear business case and risk logs are maintained for the shared service. Savings / Benefit realisation are reviewed via the BTG and corporate plan monitoring	Ongoing	Deputy Chief Executive	
1.05	If the council does not carefully manage its commissioning of services then it may not have the flexibility to make additional savings required by the MTFS in future years and a greater burden of savings may fall on the retained organisation	Mark Sheldon	15 December 2010	3	3	9	R	Contracts, SLAs and other shared service agreements will need to be drafted and negotiated to ensure that there is sufficient flexibility with regards to budget requirements	Ongoing	Director Commissioning	
1.06	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.	Mark Sheldon	13 December 2012	4	3	12	R	Work with GOSS and county wide CFO's to monitor changes to local government financing regime and adjust future budgets for any significant variances.	Ongoing	Director of Corporate Resources	