

# Cheltenham Borough Council

Cabinet – 14<sup>th</sup> July 2015

Council – 20<sup>th</sup> July 2015

## Financial outturn 2014/15 and budget monitoring to June 2015

|                                       |  |
|---------------------------------------|--|
| <b>Accountable member</b>             | <b>Councillor John Rawson, Cabinet Member for Finance</b>  |
| <b>Accountable officer</b>            | <b>Paul Jones, Section 151 Officer</b>   |
| <b>Accountable scrutiny committee</b> | <b>All</b>   |
| <b>Ward(s) affected</b>               | <b>All</b>   |
| <b>Key Decision</b>                   | <b>No</b>  |
| <b>Executive summary</b>              | <p>In accordance with financial rule A11.3, the Section 151 Officer is responsible for providing regular reports to the Cabinet on the Council's finances and financial performance. This report highlights the Council's financial performance for the previous year which sets out the General Fund and Housing Revenue Account (HRA) revenue and capital outturn position for 2014/15. The information contained within this report has been used to prepare the Council's Statement of Accounts for 2014/15.</p> <p>Financial rule B10.1 states that carry forward of planned underspend of revenue budgets into the following financial year will only be allowed with the agreement of the Section 151 Officer, in order to meet the needs of approved service delivery. Financial rule B10.3 states that all other carry forward requests, including budget underspends that have been carried forward in previous financial years, will be subject to full Council approval at the financial outturn meeting held after the year end.</p> <p>The Council's Treasury Management Policy requires the Section 151 Officer to report to members annually, by the 30th September, on the treasury management activities and prudential indicators for the previous financial year. This report also seeks to meet this requirement.</p> |
| <b>Recommendations</b>                | <p><b>We therefore recommend that Cabinet approve the following recommendations to Council:</b></p> <ol style="list-style-type: none"><li><b>1. That Council receives the financial outturn performance position for the General Fund, summarised at Appendix 2, and notes that services have been delivered within the revised budget for 2014/15 resulting in a saving (after carry forward requests) of £9,021 which will be returned to general balances.</b></li></ol> <p><b>That furthermore Council:</b></p> <ol style="list-style-type: none"><li><b>2. Approves £380,700 of carry forward requests (requiring member approval) at Appendix 5.</b></li><li><b>3. Notes the annual treasury management report at Appendix 7 and approve the actual 2014/15 prudential and treasury indicators.</b></li><li><b>4. Approves the additional ICT requirements (section 6) to be</b></li></ol>   |

funded from capital resources unapplied.

5. Approves the additional capital programme in respect of affordable housing (section 7).
6. Notes the capital programme outturn position as detailed in Appendix 8 and approve the carry forward of unspent budgets into 2015/16 (section 8).
7. Notes the position in respect of Section 106 agreements and partnership funding agreements at Appendix 9 (section 10).
8. Notes the outturn position in respect of collection rates for council tax and non-domestic rates for 2014/15 in Appendix 10 (section 11).
9. Notes the outturn position in respect of collection rates for sundry debts for 2014/15 in Appendix 11 (section 12).
10. Receives the financial outturn performance position for the Housing Revenue Account for 2014/15 in Appendices 12 to 13 and approves the carry forward of unspent budgets into 2015/16 (section 13).
11. Agrees to guarantee any shortfall in the funding of the Gloucestershire leg of the Tour of Britain up to a value of £75,000, to be funded from General Balances as outlined in section 14.
12. Notes the budget monitoring position to the end of June 2015 (section 15) and approves the budget virement of £65,000.

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| <b>Financial implications</b>  | As detailed throughout this report.<br><br><b>Contact officer: Paul Jones, paul.jones@cheltenham.gov.uk, 01242 775154</b>   |
| <b>Legal implications</b>  | None directly arising from the report recommendations.<br><br><b>Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272012</b>  |
| <b>HR implications (including learning and organisational development)</b> | Employee capacity must be kept under review to ensure that any additional work is adequately resourced.<br><br><b>Contact officer: Julie McCarthy, Julie.mccarthy@cheltenham.gov.uk, 01242 264355</b> |
| <b>Key risks</b>   | As outlined in Appendix 1.  |
| <b>Corporate and community plan Implications</b>                           | Key elements of the budget are aimed at delivering the corporate objectives in the Corporate Business Plan.   |

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| <b>Environmental and climate change implications</b> | None. |
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## **1. Background**

- 1.1** This report draws together the financial outturn position for 2014/15 for the General Fund and Housing Revenue Account (HRA) revenue and capital budgets, details reserve movements, summarises requests for carry forward of budgets approved by the Section 151 Officer under delegated powers and those requiring member approval and makes recommendations in respect of the use of the budget saving.
- 1.2** In accordance with financial rule A11.3, the Section 151 Officer is responsible for providing regular reports to the Cabinet on the Council's finances and financial performance.
- 1.3** A summary of the actual General Fund outturn position by service is contained in Appendix 2.
- 1.4** A summary of the outturn position by cost centre within each service is contained in Appendix 3. Information is presented both in the format normally used in cabinet and council papers and also in Service Reporting Code of Practice (SeRCOP) format used in the preparation of the final accounts which requires under / overspends on support services cost centres to be charged to end user cost centres.

## **2. General Fund Revenue Outturn 2014/15**

- 2.1** 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 indicated that there may be a contribution payable to the Council for 2014/15 of approximately £180,000. It was therefore anticipated that the overall position for the Council would be within budget for 2014/15.
- 2.2** It was at that stage anticipated that the general reserve would be replenished at the financial year end, upon confirmation of the Ubico outturn for 2014/15. Whilst it is pleasing to report that the contribution payable to the Council from Ubico exceeded the forecast amount (as detailed in Appendix 4) the adverse variance from business rates pooling (as detailed in section 5) has had a counter effect.
- 2.3** Despite this, it is pleasing to report that the Council has delivered services within the resources available, resulting in a budget saving, after carry forward requests, of £9,021 against the revised budget which will be returned to general balances.
- 2.4** A number of savings are the result of delays or slippage in carrying out particular tasks which are still necessary and will need to be completed in the 2015/16 financial year. Where this applies, requests for carry forwards are documented in Appendix 5 to this report.
- 2.5** A full explanation of all variances that exceed £50,000 is contained within Appendix 4.

## **3. Budget carry forward requests**

- 3.1** At the year end, a number of budget holders requested 'carry forward' of unspent budgets. Requests fall into two categories and have been dealt with as follows:
- 3.2** Some requests are in respect of goods and services ordered but not received by 31<sup>st</sup> March 2015. Some relate to items of expenditure not yet incurred due to slippage in work programmes but still planned to be spent in line with the original intention of the budget. Others are amounts of grant

funding which have been allocated but not yet been taken up by their intended beneficiaries. In line with previous practice, these have been reviewed by the Senior Leadership Team (SLT) and approved by the Section 151 Officer, under delegated powers (financial rule B10.1). A list of the approved carry forward of budgets totalling £197,150, for which expenditure is in line with the original approved purpose, is contained in Appendix 5. In accordance with the Service Reporting Code of Practice (SeRCOP), a transfer was made to a 'carry forward' reserve in 2014/15 (Appendix 6) and transfers will be made from the 'carry forward' reserve in 2015/16 to the appropriate cost centres in order that members and officers have a clear indication of the total budget, including carry forwards, available for 2015/16.

- 3.3** Some requests have been made to carry forward an underspend to be used in a different way to that for which the budget was originally intended. Since this falls outside the budget set by Council in February 2014, their alternative use requires council approval (financial rule B10.3). The list contained in Appendix 5, totalling £380,700, has been reviewed and supported by the Senior Leadership Team and now requires council approval.

## **4. Treasury Management / Prudential Indicators**

- 4.1** Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services. This Council has adopted the code and complies with its requirements, one of which is the receipt by Cabinet and Council of an Annual Review Report after the financial year end.

- 4.2** The detailed treasury report, as approved by the Treasury Management Panel at its meeting on 8<sup>th</sup> June 2015, is attached at Appendix 7.

- 4.3** The prudential indicators have been monitored regularly and there were no material departures from the indicators arising during the year. The outturn indicators are reported to Cabinet and Council as part of the capital and treasury management outturn in accordance with the arrangements determined at the February 2014 council meeting.

## **5. Business Rates Retention Scheme (BRRS)**

- 5.1** 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 councils' 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.

- 5.2** In order to maximise the value of business rates retained within Gloucestershire, the Council entered into the Gloucestershire Business Rates Pool in 2013/14. Being a part of the Pool has the benefit of reducing the levy from 50% to 19%. The aim of the pool is to maximise the business rate income retained within the County. At the end of 2013/14, the Pool generated a surplus of £774,862. This Council received a financial benefit of £114,273 from being part of the Gloucestershire Pool of which £61,449 was allocated to a 'pool' reserve. During 2014/15, two factors have impacted upon the Gloucestershire Pool:

- In Tewkesbury Borough Council, Virgin Media were successful in their appeal of their rateable value (RV) which saw a reduction **far** greater than had been anticipated by Tewkesbury BC or the Gloucestershire Pool;
- The Government put a deadline for the receipt of appeals against the 2010 list of 31st March 2015 which consequently saw a significant number of appeals lodged in the last 2 weeks of the financial year. This is a national issue and many councils have had to increase their provisions for appeals by millions of pounds. In Gloucestershire the value of

the appeal provision increased by £2.5m (excluding Tewkesbury Borough Council provision) or £9.1m (including Tewkesbury Borough Council provision).

- 5.3** Overall, the Gloucestershire pool is reporting a deficit position of £2.336m in 2014/15. The pool deficit needs to be funded as part of the 2014/15 financial statements and this Council's contribution to the deficit is £284,955, net of the 'pool' reserve contribution.
- 5.4** This is clearly a very volatile and significant development and undoubtedly an unintended consequence of the Government's policy on Business Rates Retention. The LGA are fully aware of the situation and are including it in their submission to the Government on the spending review 2016/17. There is also a review of the Administration of Business Rates due to take place before the next spending review which will need to address the 'administrative' issue of the appeals. Whilst it is unlikely that the Government will be able to change baseline figures, it is hoped that some form of compensation for councils can be agreed.
- 5.5** 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 (DCLG). The NNDR1 return was submitted DCLG by the deadline of 31st January 2014 and the budget was based on the figures within that return.
- 5.6** The table below reflects the actual performance against budget with an overall adverse variance of £197,098 when taking into account the pool deficit distribution.

|  | <b>Budget</b>      | <b>Actual</b>      | <b>Variance</b> |
|--|--------------------|--------------------|-----------------|
| Redistributed Business Rates             | (21,606,794)       | (21,606,794)       | -               |
| Tariff                                   | 18,726,467         | 18,726,467         | -               |
| Share of 2013/14 Collection Fund Surplus | (166,506)          | (166,506)          | -               |
| <b>Retained Business Rates</b>           | <b>(3,046,833)</b> | <b>(3,046,833)</b> | <b>-</b>        |
| Section 31 Grants                        | (636,925)          | (672,622)          | (35,697)        |
| Levy paid over to Government             | 602,004            | 549,844            | (52,160)        |
| <b>Retained Income</b>                   | <b>(3,081,754)</b> | <b>(3,169,611)</b> | <b>(87,857)</b> |
| Pool Deficit distribution                | -                  | 284,955            | 284,955         |
| <b>Total</b>                             | <b>(3,081,754)</b> | <b>(2,884,656)</b> | <b>197,098</b>  |

- 5.7** A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. As a consequence the Gloucestershire Chief Financial Officers have requested a technical working group be set up to evaluate the risks versus benefits of continuation in the Gloucestershire Pool, a decision of which will need to be made by October 2015.
- 5.8** Whilst this is a disappointing result for the pool, it must be recognised that it is still early days of BRRS and we need to evaluate the results over a longer period. It should also be noted that the baseline funding projection for this Council in 2014/15 was £2,530,595 which was exceeded by £354,061 despite having to make a contribution to the pool deficit.

## **6. ICT Strategy**

- 6.1** As members will be aware, the Council set aside £1.3m to address the underfunding in ICT

infrastructure over very many years. The ICT shared service, supported by colleagues from Cotswold and West Oxfordshire, have made significant progress in delivering a challenging Infrastructure Upgrade Programme. This has resulted in major upgrade of the Council's core infrastructure including increasing the capacity and stability of the networks, rollout of new physical and virtual desktops, migration from unsupported servers, data storage improvement, virtualisation and improvements to disaster recovery arrangements. All of these improvements have helped to create a more stable ICT environment over the past 6 months.

- 6.2** However, further work has been identified which is required to ensure that the Council's ICT infrastructure is 'fit for purpose' and aligned with the other councils involved in the 2020 Programme. This includes establishing a disaster recovery environment for the 300 plus virtual desktop users, as without this reliance is placed entirely on the systems based at Coleford; continuing to roll out the new server and storage infrastructure to ensure the Council has better storage arrangements, processing performance and stability; replacement of the current disaster recovery infrastructure which is inadequate in term of data replication / recovery; development of a cluster of high speed servers to run the databases to support shared working arrangements and help reduce overall licensing costs; phase 2 of the network improvements to improve speed of link between all Council sites including the Municipal Offices; and the upgrading of video conferencing facilities to support staff working across partner sites.
- 6.3** The total additional expenditure required is £621k which can be partly funded from the unspent budgets in 2015/16 and budgets allocated to the programme for 2016/17 and 2017/18 (£140.2k) which are no longer needed, leaving a budget shortfall of £276k. To bridge this shortfall, it is recommended that the capital programme budgets for ICT Infrastructure 2016/17 and 2017/18, totalling £140,200, be brought forward to 2015/16, and a further budget allocation of £276k be approved to be funded from unapplied capital resources.
- 6.4** The clear benefit of making this investment is that it will complete the programme within the calendar year and help to deliver significant improvements in efficiency. The Council's core ICT infrastructure will be fit for purpose and this will open the way to developing and rationalising our business systems, working with our partner councils.
- 6.5** The additional funding request assumes that approved ICT capital budgets for Working Flexibly, the Virtual E-Mail appliance licence to connect all GO partners, and the ICT server room generator, totalling £54,600 are carried forward from 2014/15 and rolled into the ICT Infrastructure Strategy capital budget for 2015/16. These projects are no longer individually required and will be used to meet the overall aims and objectives of the ICT Infrastructure Strategy.

## **7. Affordable Housing**

- 7.1** As a result of the HRA self-financing regulations, the Council now has the freedoms, flexibilities and the financial opportunity to build new affordable homes of our own. These freedoms mean that the Council can deliver new affordable housing without having to rely on the use of commuted sums from private developers (which are paid to the Council in lieu of affordable housing). This in turn means that the Council can use these commuted sums to deliver affordable housing where it would not otherwise be viable, thereby maximising the delivery of new affordable housing across the Borough.
- 7.2** The Council has received a commuted sum of £433,854 received from Berkeley Homes in lieu of the on-site provision of 5 one bedroom affordable rent flats, and a further commuted sum of £603,393 in lieu of the on-site provision of 3 one bedroom and 4 two bedroom shared ownership flats. These commuted sums have been paid to the Council pursuant to a section 106 agreement in respect of the 'Thirlestaine' site (see planning application: 12/00870/FUL) and were received by the Council in November 2014 and January 2015 respectively.
- 7.3** In addition to these, 2 further commuted sums totalling £510,980 have been secured and are likely to be due for payment in the current financial year.

7.4 These contributions must be used towards affordable housing and have consequently been incorporated into the capital programme from 2015/16 onwards as detailed in Appendix 8.

## 8. Capital Outturn 2014/15

8.1 The outturn position in respect of General Fund capital is contained in Appendix 8. Members are asked to note the outturn position and, where there is slippage, approve the carry forwards into 2015/16 requested by officers. Appendix 8 also incorporates the changes detailed in sections 6 and 7 above.

8.2 A full explanation of all variances that exceed £50,000 is contained within Appendix 4.

## 9. Reserves

9.1 The Section 151 Officer has, under delegated powers (financial rule B11.4), authority to make transfers to and from these operational reserves in accordance with the intention of the reserve as determined by the Council's Reserves Policy and Protocol. The transfers approved by the Section 151 Officer for 2014/15 are set out in the outturn performance position schedules at Appendix 2 and 3.

9.2 Appendix 6 also details the reserves held by the Council, states their purpose and indicates the balance at 31<sup>st</sup> March 2015. In setting the budget for 2015/16 a review of reserves was undertaken to assess whether the levels were appropriate and in line with the policy for reserves and balances; and also whether they took into account the needs and risks of the organisation and the prevailing economic conditions. At the year end this process has been repeated.

9.3 An assessment of the Council's other earmarked reserves has been made in line with the fiduciary duty of the Section 151 Officer at the year end. Accepting that there are still some areas of uncertainty, the level of reserves appears adequate at this point in time and no other changes are currently recommended.

9.4 At the year end, the General Fund Balance stands at £1.599m and therefore remains within the range of £1.5m to £2m recommended by the Section 151 Officer.

## 10. Section 106 receipts

10.1 A position statement in respect of the activity of Section 106 receipts is contained in Appendix 9.

10.2 The following summarises the activity in respect of Section 106 for 2014/15, compared to 2013/14.

|   | 2013/2014 | 2014/2015 |
|---|-----------|-----------|
| Balance of unused Section 106 receipts    | 544,203   | 573,321   |
| Net additional receipts in year           | 92,522    | 1,289,083 |
| Receipts used to finance projects in year | (63,404)  | (60,720)  |
| Balance outstanding at year end           | 573,321   | 1,801,684 |

## 11. Council tax and business rates collection

11.1 The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 10. This shows the position at the end of March 2015.

## 12. Sundry debt collection

12.1 The monitoring report for the collection of sundry debt income is shown in Appendix 11. This shows the position at the end of March 2015.

## 13. Housing Revenue Account (HRA)

### HRA income and expenditure

- 13.1 The revised forecast for the HRA, presented to Council in February 2015, anticipated a surplus for the year of £154,200 leaving a balance of £2,358,800 in general revenue reserves at 31<sup>st</sup> March 2015 (after transferring the sum of £2,000,000 into an earmarked reserve for the funding of new build).
- 13.2 The outturn statement at Appendix 12 shows a surplus for the year of £1,451,510, a net positive variance of £1,297,310, increasing revenue reserves to £3,656,110 at year end.
- 13.3 In summary net savings arising from day to day activity totalled £328,000 which has increased the level of available reserves. The balance of £969,000 resulted from delays in capital expenditure and the use of alternative sources of finance. As shown in paragraph 3 below a proportion of this sum (£304,000) will be required to fund projects carried forward to 2015/16 whilst the remainder (£665,000) is retained in reserves for future allocation.

The variance arose primarily from:-

| Detail   | £'000        |
|--|--------------|
| Savings in estate management - grounds maintenance, gas & electricity costs  | 69           |
| Reduced spend on repairs & maintenance arising from mild winter  | 195          |
| Reduction in the need to provide for bad debts – no significant increase in arrears despite rent increase and reflects delay in implementation of welfare reform | 27           |
| Reduced requirement for revenue funding of capital expenditure – reduced capital spend and alternative funding sources   | 969          |
| Additional income from supporting people grant and feed in tariffs from pv installations (earlier than anticipated receipt from new installations)               | 48           |
| Lower recharges to leaseholders (some reclassified as contributions to capital expenditure)  | (39)         |
| Other net variances  | 28           |
| <b>Total Variance</b>  | <b>1,297</b> |



### Major Repairs Reserve (Appendix 13)

- 13.4 In accordance with regulations this reserve is funded by sums equivalent to the depreciation provision and can be used to finance HRA capital expenditure.

### HRA Capital Programme (Appendix 13)

- 13.5 Appendix 13 shows actual spend of £6,974m compared to the revised forecast of £7.978m, an underspend of £1.004m. This variation arose primarily from the project delays shown below.

| Area of Spend         | Forecast | Actual | Variation | Reason for Variation   |
|-----------------------|----------|--------|-----------|--|
|                       | £'000    | £'000  | £'000     |  |
| External Improvements | 1,023    | 811    | 212       | Delays arising from ongoing negotiations with leaseholders   |
| PV Installations      | 2,259    | 1,949  | 310       | Sheltered scheme at Barlow Rd waiting for National Grid permissions  |
| Fire Protection       | 285      | 163    | 122       | Contractor withdrawal  |
| New Build             | 642      | 412    | 230       | Final acquisition in Cakebridge Place completed in April 2015 and other preliminary expenses lower than expected in year |

- 13.6 Having reviewed contract commitments and the proposed programme for the current year the amount of rolled forward funding to be earmarked for additional spend in 2015/16 is estimated at £534,000 (£304,000 in revenue reserves and £230,000 in usable capital receipts reserve).

## 14. Tour of Britain Cycle Race – September 2016

- 14.1 There is the potential for the Tour of Britain cycle race to come through Gloucestershire next year and, as is customary with this event, councils on the route are being asked to financially underwrite the costs of the event. Cheltenham's share of the guaranteed amount has been agreed at £75,000. If there is a funding shortfall, the Council would need to identify how this would be funded. Further consideration will be given to this in the 2016/17 budget. In the meantime, it is recommended that the Council agree to guarantee any shortfall in the funding of the Gloucestershire leg of the Tour of Britain up to a value of £75,000 from General Balances.
- 14.2 This will be a high profile event for the town – one of only 8 stages for an event that has grown significantly in recent years following recent Olympic and Tour de France successes. It is an opportunity to showcase Cheltenham and the Cotswolds to an international audience to attract visitors to Cheltenham for the Tour race itself, but also in subsequent years as a visitor/holiday destination. It is also likely to open doors to follow up events in future years by putting Cheltenham on the "Tour Circuit" and reinforces our reputation as an exciting Festival Town.
- 14.3 The event could make a major contribution to our health promotion agenda as part of a concerted effort to encourage more people to make journeys by bike instead of using cars thereby supporting efforts to reduce traffic and improve air quality within the town. It could also help to

inspire young people to participate and compete in cycling and other sports both through exposure to the Tour of Britain race itself, but also through associated community events (Festival of Cycling, promotion in schools, partnerships with cycling clubs).

- 14.4** The organisers have secured National Sponsors for the Tour in Aviva and Skoda, but in the event of a Gloucestershire bid being selected, we will be able to approach local sponsors regarding sponsorship for the Cheltenham Stage to offset any possible cost to the Council.

## **15. 2015/16 Revenue and Capital budget monitoring to June 2015**

- 15.1** Due to the pressures of the year end process a detailed monitoring exercise has not been undertaken at this point in the year. However, two significant variances have been identified by service managers at this stage.

### **15.2 Joint Core Strategy**

Each Council currently contributes £60,000 per annum to the Joint Core Strategy. In 2015/16, due to the extension of the public examination, substantial further work requests as well as the need for extended legal support indicates that the budget allocation will be £116,900 short and thus unable to cover all these costs. Specific costs include increased public examination costs, inspector, consultancy and contract staff costs, legal support, and work on the spatial strategy, green belt and strategic allocation. A request for £40,000 per council is therefore being made to support these additional costs in the current financial year.

Prior to this request, it was also identified in a Cabinet Report dated 14<sup>th</sup> April 2015 that a further £25,000 would be required to underwrite the set up costs of developing a Community Infrastructure Levy in 2015/16.

### **15.3 Energy Costs**

In March 2015, the Council's energy contracts were re-let for a period of 12 months taking the supply to 30<sup>th</sup> April 2016. The prices achieved resulted in in-year savings of £70,500, mostly from a reduction in the gas cost per kWh, with a saving to the General Fund of c. £65,000. The Council's current energy procurement advisors have indicated that although gas prices are likely to remain stable over the next 12-24 months, it is more than likely that when the Council next has to tender electricity prices will increase significantly. The reason is that pass through charges resulting from government levies will start to affect prices from April 2016.

In order to allow for possible future price increases, the current year's saving is being treated as a one-off budget saving leaving the base budget in place.

- 15.4** As required by the Council's financial rules, Cabinet are recommended to approve the virement of the General Fund budget saving of £65,000 from the energy contract renewal to cover the increased costs of the JCS in 2015/16.

## **16. Section 151 Officer advice**

- 16.1** The Government expects councils to make a significant contribution to reducing the national budget deficit and the Council will continue to face unprecedented public sector funding cuts over the next few years. Future budgets are likely to contain some difficult decisions and may require some sources of 'one off' finance to enable savings to be delivered through efficiency savings and cost / staffing reductions. In this situation, any opportunity to fund future investment requirements from one-off sources rather than impacting on future year's budgets should be taken.

- 16.2** The Local Government Association has said that any reforms to business rates must change the process for appeals against property valuations in order to protect councils from "speculative" reviews. In its submission to the Treasury's business rates review, the umbrella group of local authorities said that the current regime, whereby councils had to meet any refunds following

successful appeals, undermines local services. It exposes councils to financial risk even though the property valuations themselves were undertaken by the independent Valuation Office Agency.

- 16.3 Given the volatility in forecasting business rates growth against speculative appeals, Gloucestershire Chief Financial Officers have requested a technical working group be set up to evaluate the risks versus benefits of continuation in the Gloucestershire Business Rates Pool, a decision of which will need to be made by October 2015.
- 16.4 In agreeing the recommendations in this report, members need to be mindful of the prevailing challenging financial climate and in view of the budget pressures already potentially facing the Council in the current year to ensure that any carry forwards recommended for approval (even those for which the Section 151 Officer has the delegation to approve) are the most effective use of scarce resources.

## 17. Conclusion

- 17.1 The outturn position for 2014/15 demonstrates that, despite another challenging year, the Council has managed to deliver services within budget. There are no significant unexpected overspends, with the exception of business rates in 2014/15 which demonstrates that budget monitoring arrangements remain strong.
- 17.2 If approved, the carry forward requests will assist in the delivery of corporate objectives, help to complete projects started in 2014/15 and support initiatives which help to bridge the medium term funding gap.
- 17.3 Members should note that the outturn position has been used to prepare the Statement of Accounts for approval by the Audit Committee.

## 18. Consultation

- 18.1 Appropriate members and officers were consulted in the process of preparing the outturn position and associated reports and accounts.

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| <b>Appendices</b>             | <ol style="list-style-type: none"> <li>1. Risk assessment</li> <li>2. Summary outturn performance position - General Fund</li> <li>3. Service level outturn performance position - General Fund</li> <li>4. Significant variances</li> <li>5. Carry forward requests</li> <li>6. Movement on earmarked reserves and general balances</li> <li>7. Annual Treasury Management review</li> <li>8. Capital programme - General Fund</li> <li>9. Section 106 receipts statement</li> <li>10. Council tax and NNDR collection</li> <li>11. Sundry debt collection</li> <li>12. HRA Operating account</li> <li>13. HRA Capital programme and Major Repairs Reserve</li> </ol> |
| <b>Background information</b> | <ol style="list-style-type: none"> <li>1. Section 25 Report – Council 14<sup>th</sup> February 2014</li> <li>2. Final Budget Proposals for 2014/15 – Council 14<sup>h</sup> February 2014</li> </ol>   |

| 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.        | Historically, the Council has used in-year savings to fund one-off growth / start-up for new initiatives. As a result of budgets getting tighter, there may be a reduced likelihood of in-year savings being delivered resulting in potentially increased pressure on General Balances to fund growth / new initiatives over the period of the MTFS. | Director Resources  | December 2010 | 4   | 3 | 12    | Reduce        | Future revenue allocations may be needed to increase the size of the General Balances.  | on-going     | Section 151 Officer (working with SLT) |                              |
| 2.        | If the volatility surrounding business rates appeals continues then it may impact on the viability of the Gloucestershire Business Rates Pool as the risks may outweigh the financial benefits. As a consequence this may have a detrimental impact on Cheltenham Borough Councils financial plans.  | Section 151 Officer | June 2015     | 4   | 3 | 12    | Reduce        | The Gloucestershire Chief Financial Officers have requested a technical working group evaluate the risks versus benefits of continuation in the Gloucestershire Pool, a decision of which will need to be made by October 2015. This will result to mitigation planning and a further report on the extent/possibility of the risk. | October 2015 | Section 151 Officer                    |                              |

|    |   |                    |           |   |   |   |        |   |            |                       |  |
|----|---|--------------------|-----------|---|---|---|--------|---|------------|-----------------------|--|
| 3. | If the Council fails to continue to invest in its ICT Strategy, then there is a risk to its ability to support service delivery, remain secure from service disruption and to improve on effective working practices with partners. | Director Resources | June 2015 | 3 | 2 | 6 | Reduce | Deliver sufficient funding to enable ICTSS and our 2020 partners to provide an ICT that continues to be fit for purpose | March 2016 | Director of Resources |  |
|----|---|--------------------|-----------|---|---|---|--------|---|------------|-----------------------|--|