

# Cheltenham Borough Council

Cabinet – 12<sup>th</sup> July 2016

Council – 18<sup>th</sup> July 2016

## Financial outturn 2015/16 and budget monitoring to June 2016

<b>Accountable member</b>	<b>Councillor Rowena Hay, 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 2015/16. The information contained within this report has been used to prepare the Council's Statement of Accounts for 2015/16.</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 2015/16 resulting in a saving (after carry forward requests) of £239,020.</b></li></ol> <p><b>That furthermore Council:</b></p> <ol style="list-style-type: none"><li><b>2. Approves £40,000 of carry forward requests (requiring member approval) at Appendix 5.</b></li><li><b>3. Approve the use of the budget saving of £239,020 as detailed in Section 3.</b></li><li><b>4. Notes the annual treasury management report at Appendix 7 and approve the actual 2015/16 prudential and treasury</b></li></ol>

indicators.

5. Notes the capital programme outturn position as detailed in Appendix 8 and approve the carry forward of unspent budgets into 2015/16 (section 7).
6. Notes the position in respect of Section 106 agreements and partnership funding agreements at Appendix 9 (section 9).
7. Notes the outturn position in respect of collection rates for council tax and non-domestic rates for 2015/16 in Appendix 10 (section 10).
8. Notes the outturn position in respect of collection rates for sundry debts for 2015/16 in Appendix 11 (section 11).
9. Receives the financial outturn performance position for the Housing Revenue Account for 2015/16 in Appendices 12 to 13 and approves the carry forward of unspent budgets into 2016/17 (section 12).
10. Notes the budget monitoring position to the end of June 2016 (section 13) and approves the budget virement of £60,000.

<b>Financial implications</b>	As detailed throughout this report.  <b>Contact officer: Paul Jones, paul.jones@cheltenham.gov.uk, 01242 775154</b>
<b>Legal implications</b>	None directly arising from the report recommendations.  <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. If budget pressures mean monies for additional resource is not permissible a review of current projects and service delivery options will need to take place.  <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.
<b>Environmental and climate change implications</b>	None.

## **1. Background**

- 1.1 This report draws together the financial outturn position for 2015/16 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 2015/16**

- 2.1 The budget monitoring report to the end of December 2015, considered by Cabinet on 9<sup>th</sup> February 2016, projected an underspend for the year of £307,900. The Cabinet made recommendations to full Council at the budget setting meeting for the use of this underspend which was approved in February 2016 and formed part of the revised budget for 2015/16. It was agreed at that meeting that a contribution of £307,900 be made to the Budget Strategy (Support) Reserve.
- 2.2 The continued impact of the changes in government funding arrangements and the economic climate present particular concerns for the Council's budgets moving forward. It was therefore recommended that any further underspend identified on outturn be transferred firstly to the Budget Strategy (Support) Reserve and secondly to support general balances, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding future budget funding gaps, as outlined in the Council's Medium Term Financial Strategy and the Cabinet budget setting report dated 9<sup>th</sup> February 2016.
- 2.3 It is therefore pleasing to report that the Council has delivered services within the resources available, resulting in a budget saving, after carry forward requests, of £239,020 against the revised budget. This saving has been transferred to the Budget Strategy (Support) Reserve pending decisions over its use in 2016/17.
- 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 2016/17 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. Making use of revenue budget savings**

- 3.1 The Government's policy of phasing out revenue support grant and in due course allowing councils to benefit from a higher share of business rates creates a need for this Council to develop a long-term strategy which is significantly different from that followed in past years. Since 2013 the Council has had a direct financial interest in economic and business growth in the town, and will have a larger stake in it under the Government's proposals for reforming business rates.
- 3.2 The Cabinet is proposing to the Council that we use the budget savings totalling £239,020 for a number of specific, focused purposes which will potentially deliver lasting benefits, namely; promoting Cheltenham through economic development and tourism opportunities; and

strengthening our reserves.

### **Economic Development and Tourism**

- 3.3** In responding to the emerging reality to significant reductions in core government funding, the Cabinet has given a high priority to spending that will support the local economy. That is why the 2016/17 budget proposals reaffirmed this Council's financial support for the Business Improvement District; allocated funding to develop and start to implement the emerging Tourism Strategy; and to provide additional funding so that the Joint Core Strategy process can be completed and a framework developed for the Community Infrastructure Levy. Attention was also paid to the need for the town to be as welcoming and attractive as we can make it; and a sum of £50,000 was allocated to carry out an intensive clean of the town centre and a number of key out-of-centre locations.
- 3.4** There is the potential for Cheltenham to host the finish of the penultimate day of the 2017 Tour of Britain cycle race. This would be a high profile event for the town and would be on a Saturday afternoon, providing the opportunity to maximise the family and visitor experience. It also presents a great opportunity for the BID to work alongside other stakeholders in maximising the wider benefits that would arise from this event, showcasing Cheltenham and Gloucestershire to an international audience attracting visitors to Cheltenham for the Tour race itself and in subsequent years as a visitor/holiday destination. It also has potential to open doors to follow up events in future years by putting Cheltenham on the "Tour Circuit" and reinforcing our reputation as an exciting Festival Town.
- 3.5** There would also be wider social and community benefits to hosting the event and consideration would need to be given to the approach to community development and the potential knock-on events / activities and benefits that arise from the promotional value of hosting such an event.
- 3.6** 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 more 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 such as Festival of Cycling, promotion in schools, and partnerships with cycling clubs.
- 3.7** The Council will work in partnership with the Cheltenham Trust on this initiative, but if we wish to secure this opportunity the Council will need to give a firm commitment to underwrite the full £100k cost of hosting the event.
- 3.8** It is therefore proposed that £100,000 from the revenue budget savings be transferred to the Economic Development & Tourism Reserve to support the Tour of Britain initiative and other opportunities that may arise to ensure Cheltenham remains as a destination to visit and stay.
- 3.9** A detailed proposal for the Tour of Britain initiative will be developed in due course to scope out the potential for maximising the benefits, the resources needed to deliver it and the potential cost implications.

### **Strengthening our reserves**

- 3.10** In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. This reserve will help to secure the Council against short-term challenges which we know we will encounter in the coming year such as the one-off drop in business rates income in 2016/17 due to redevelopment, and the delay in securing car park income of £350k a year from the North Place development.
- 3.11** In previous budget statements to the Council, the previous Cabinet Member for Finance has said that if possible he would propose a strengthening of general fund balances in the outturn report. It is therefore recommended that the balance of the 2015/16 budget saving of £139,020 be

transferred to the Budget Strategy (Support) Reserve.

- 3.12 Strengthening the Budget Strategy (Support) Reserve will give the Council more flexibility to pump-prime projects and initiatives which will deliver future savings at a time when we are facing such severe and ongoing cuts to our spending power.
- 3.13 The balance on this reserve as at 31<sup>st</sup> March 2016 is £973,147 which includes the “top-up” identified above in 3.11. The 2016/17 budget proposals rely on the drawdown of part of this reserve in 2016/17 leaving a balance of £699,228 which will give the Council time to work up its strategy for delivering substantial savings over the next 4 year period.

#### **4. Budget carry forward requests**

- 4.1 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:
- 4.2 Some requests are in respect of goods and services ordered but not received by 31<sup>st</sup> March 2016. 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 £272,500, 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 2015/16 (Appendix 6) and transfers will be made from the ‘carry forward’ reserve in 2016/17 to the appropriate cost centres in order that members and officers have a clear indication of the total budget, including carry forwards, available for 2016/17.
- 4.3 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 2015, their alternative use requires council approval (financial rule B10.3). The list contained in Appendix 5, totalling £40,000, has been reviewed and supported by the Senior Leadership Team and now requires council approval.

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

- 5.1 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.
- 5.2 The detailed treasury report, as approved by the Treasury Management Panel at its meeting on 6<sup>th</sup> June 2016, is attached at Appendix 7.
- 5.3 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 2015 council meeting.

##### **Icelandic bank deposits**

- 5.4 Following the Icelandic bank supreme court decision to award priority status to local authority deposits, the council was due to receive 100% back from Glitnir bank. It was, however, acknowledged that due to foreign exchange rate fluctuations and Icelandic Government controls, the council may not get the full value returned in £ sterling and consequently made provision within an earmarked reserve.

- 5.5** Due to the current currency controls made by the Central Bank of Iceland (CBI), it had not been possible to withdraw these funds from Iceland.
- 5.6** Following legislation passed by the Icelandic government on Sunday 22<sup>nd</sup> May 2016 the Central Bank of Iceland (CBI) announced that a currency auction would take place on 16<sup>th</sup> June 2016. Bevan Brittan, the council's legal representatives, informed Local authorities of this CBI currency auction in addition to explaining what the alternative options were.
- 5.7** As holders of "offshore" Icelandic Krona (ISK) Cheltenham Borough Council was able to participate in the auction. Participating in the auction allowed the Council to sell its ISK and convert it into Euros and then £ sterling and the decision to participate, after consulting the Treasury Management Panel, was made on 7<sup>th</sup> June 2016. As at 22<sup>nd</sup> June 2016 the Council held ISK 143,305,985 which was converted into 752,737 Euros at a rate of 190.38 ISK to 1 Euro.
- 5.8** On 4<sup>th</sup> July 2016, the Euros were converted into £627,856 at a rate of 1.1989 Euro to £ which was deposited into our current account. Against an original deposit of £3m, excluding interest, the Council has received £3,055,456.
- 5.9** However, the shortfall in return measured against the carrying value of the loan, which represents initial investment and accrued interest (interest that has accrued on the investment balance outstanding), is £167,637.
- 5.10** Over a number of years the Council has made provision against potential losses on the sale of its Icelandic Investment. Any interest receivable or positive exchange-rate movements that have accrued have been set-aside in a reserve to offset any potential sale costs or losses on disposal. At 31<sup>st</sup> March 2016 the Council had set-aside £299,854 to offset any losses in the revenue account. As a result of the above transaction, the Council has over-provided by £132,217; consideration for this windfall will be considered as part of the budget strategy for formulating the 2017/18 revenue budget.

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

- 6.1** 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 to DCLG by the deadline of 31<sup>st</sup> January 2015 and the budget was based on the figures within that return.

- 6.2 The table below reflects the actual performance against the revised budget with an overall positive variance of £140,243 when taking into account the pool surplus distribution.

	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
Redistributed Business Rates	(22,236,357)	(22,236,357)	-
Tariff	19,084,298	19,084,298	-
Share of Collection Fund Surplus	(509,641)	(509,641)	-
<b>Retained Business Rates</b>	<b>(3,661,700)</b>	<b>(3,661,700)</b>	<b>-</b>
Section 31 Grants	(794,124)	(813,825)	(19,701)
Levy paid over to Government	99,473	121,858	22,385)
<b>Retained Income</b>	<b>(4,356,351)</b>	<b>(4,353,667)</b>	<b>2,684</b>
Pool Surplus distribution	-	(142,927)	(142,927)
<b>Total</b>	<b>(4,356,351)</b>	<b>(4,496,594)</b>	<b>(140,243)</b>

- 6.3 A transfer of £140,000 has been made to the Business Rates Retention Equalisation reserve to fund future budget gaps which arise as a result of the accounting arrangements for the Retained Business Rates Scheme as reported to Cabinet / Council previously.

## 7. Capital Outturn 2015/16

- 7.1 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 2016/17 requested by officers.

- 7.2 A full explanation of all variances that exceed £100,000 is contained within Appendix 4.

## 8. Reserves

- 8.1 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 2015/16 are set out in the outturn performance position schedules at Appendix 2 and 3.

- 8.2 Appendix 6 also details the reserves held by the Council, states their purpose and indicates the balance at 31<sup>st</sup> March 2016. In setting the budget for 2016/17 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.

- 8.3 In assessing the adequacy of reserves and balances for 2016/17 the Section 151 Officer used a risk based approach to assess the appropriate level of general balances which calculated the optimum level to be £1.259m. At the year end, the General Fund Balance stands at £1.409m and therefore remains above the optimum level recommended by the Section 151 Officer.

- 8.4 An assessment of the Council's earmarked reserves has been made in line with the fiduciary duty of the Section 151 Officer at the year end. Accepting that the front-loaded cuts to core

government funding could leave the council exposed without clear decision-making in delivering a balanced budget, the level of reserves appears adequate at this point in time and no other changes are currently recommended. However, it is important to make Members aware of the following points.

- 8.5 The current Medium Term Financial Strategy (MTFS) supports all windfalls and underspends being earmarked towards the Budget Strategy Support Reserve (BSSR). Council may also wish to consider earmarking future New Homes Bonus (NHB) received over and above the £1.75m built into base budget to this reserve.
- 8.6 Given the risks arising from Business Rates volatility, both through appeals and the future proposals for full business rates retention, it should be noted that wherever possible, the Business Rates Retention Reserve should also be strengthened to mitigate these risks.

## 9. Section 106 receipts

- 9.1 A position statement in respect of the activity of Section 106 receipts is contained in Appendix 9.
- 9.2 The following summarises the activity in respect of Section 106 for 2015/16, compared to 2014/15.

	2014/2015	2015/2016
Balance of unused Section 106 receipts	573,321	1,801,684
Net additional receipts in year	1,289,083	526,611
Receipts used to finance projects in year	(60,720)	(251,786)
Balance outstanding at year end	1,801,684	2,076,509

## 10. Council tax and business rates collection

- 10.1 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 2016.

## 11. Sundry debt collection

- 11.1 The monitoring report for the collection of sundry debt income is shown in Appendix 11. This shows the position at the end of March 2016.

## 12. Housing Revenue Account (HRA)

### HRA income and expenditure

- 12.1 The revised forecast for the HRA, presented to Council in February 2016, anticipated a surplus for the year of £2,200,800 leaving a balance of £5,856,900 in general revenue reserves at 31<sup>st</sup> March 2016.
- 12.2 The outturn statement at Appendix 12 shows a surplus for the year of £2,385,007, a net positive variance of £184,207, increasing revenue reserves to £6,041,110 at year end.
- 12.3 The variance arose primarily from:-

<b>Detail</b>	<b>£'000</b>
Management savings – telephone, gas & electricity costs	42
Reduced spend on repairs & maintenance arising from lower demand	93
Revaluation losses on HRA investment properties	(73)
Additional dwelling rent – accounting adjustment to forecast prepayment re final rent week	58
Higher recharges to leaseholders (additional repair charges)	43
Other net variances (£32k positive less £11k negative)	21
<b>Total Variance</b>	<b>184</b>

### **Major Repairs Reserve (Appendix 13)**

- 12.4** 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)**

Appendix 13 shows actual spend of £6,949,812 compared to the revised forecast of £6,779,800, additional expenditure of £169,012. The programme includes a number of projects where expenditure plans span financial years and are delivered through more than one contract. Where delays are incurred, for example through extended consultation with leaseholders, CBH seek opportunities for advancing other projects within overall available funding. Costs remain controlled at both contract and project level. Significant variations from forecast project spend are shown below:-

<b>Area of Spend</b>	<b>Forecast</b>	<b>Actual</b>	<b>Variation</b>	<b>Reason for Variation</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
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

- 12.5** 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 2016/17 is estimated at £143,000.

**12.6** The forecast for new build and acquisitions was reported at £1,322,000 in February 2016. The report also recommended that the funding of this expenditure would be delegated to the Section 151 Officer. The most efficient funding arrangement is to use retention receipts (to ensure exemption from repayment to DCLG) with the balance from the new build reserve.

### **13. 2016/17 Revenue and Capital budget monitoring to June 2016**

**13.1** 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.

#### **13.2 Salary Vacancies**

The council carries a salary vacancy target saving of £350,000 per annum allocated to individual service areas and achieved via staff turnover or vacant posts being held open.

A report to Council on 14<sup>th</sup> July regarding the development of Regulatory & Environmental Services will request that a proportion of open vacancies be utilised on a one-off basis in 2016/17 to create posts to support the development of a more commercial approach to service delivery, the detail of which will be found in that report.

Whilst at this stage it is anticipated that these savings will be in excess of delivering the target, this will be carefully monitored throughout the year.

#### **13.3 Joint Core Strategy**

A report to Council on 30<sup>th</sup> June on the Inspector's Interim Report has indicated that additional funds will be required to support the completion of the process and implement the Community Infrastructure Levy. The budget required is being worked up and a further report will be made to Cabinet and/or Council, depending on value, to request the additional funds in 2016/17. It is anticipated that the strategic allocation fees arising from North West Cheltenham which have been agreed with Tewkesbury Borough Council will be reinvested into drawing conclusions to the JCS examination.

#### **13.4 Car Parking - Income**

Car parking income to the end of June is around £60k up against profiled budgets. Should this trend continue annual income received will exceed budget. However, there are a number of uncertainties arising that could impact either negatively or positively on future income levels; namely, the closure of Beechwood Arcade Car Park and the subsequent reopening of North Place Car Park by a private operator. As such, a watching brief will be maintained with further updates provided across the course of the financial year.

#### **13.5 Car Parking Strategy**

The council is looking to commission a Car Parking Strategy to support the future development and coordination of its car parking offering. One-off funding of £60k has been requested to progress this work and it is suggested that this should be funded from the forecast overachievement on car parking income.

**13.6** As required by the council's financial rules, Cabinet are recommended to approve the virement of the anticipated General Fund additional income of £60,000 from car parking to fund the costs of the Car Parking Strategy in 2016/17.

### **14. Section 151 Officer advice**

**14.1** 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 will 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.

- 14.2** 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.
- 14.3** 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.

## **15. Conclusion**

- 15.1** The outturn position for 2015/16 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 the dramatic reduction in value of the recycling materials commodity market which demonstrates that budget monitoring arrangements remain strong.
- 15.2** If approved, the carry forward requests will assist in the delivery of corporate objectives, help to complete projects started in 2015/16 and support initiatives which help to bridge the medium term funding gap.
- 15.3** Members should note that the outturn position has been used to prepare the Statement of Accounts for approval by the Audit Committee in September 2016.

## **16. Consultation**

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

<b>Report author</b>	<b>Contact officer: Paul Jones, Section 151 Officer paul.jones@cheltenham.gov.uk, 01242 775154</b>
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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 13<sup>th</sup> February 2015</li> <li>2. Final Budget Proposals for 2015/16 – Council 13<sup>h</sup> February 2015</li> <li>3. Budget Strategy and MTFs – Cabinet 13<sup>TH</sup> October 2015</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	
CR3	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.	Cabinet	15 December 2010	4	5	20	Reduce	The budget strategy includes 'targets' for work streams to close the funding gap. Some of the identified savings have either slipped or are no longer viable, as such a revised strategy will need to be urgently agreed by Cabinet as to how to bridge the funding gap.	Ongoing	Chief Finance Officer	26 January 2011	
CR105	If the Budget Deficit (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Chief Finance Officer in the Council's Medium Term Financial Strategy.	Cabinet	October 2015	4	4	16	Reduce	Currently consideration is given to the use of windfalls and potential future under spends to strengthen reserves wherever possible. Given the increased pressure arising from savings slippage a revised Reserve Strategy has been presented to Cabinet for consideration to bolster the council's levels of reserves.	June 2016	Chief Finance Officer		

1.02	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business and the constrained ability to grow the business rates in the town then the budget gap may increase.	Chief Finance Officer	14 <sup>th</sup> September 2012	4	2	8	Accept & Monitor	<p>The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by the Council.</p> <p>The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool.</p> <p>Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.</p> <p>The MD of Place &amp; Economic Development is tasked with delivering against a £500k target through economic growth by 2019/20.</p>	Ongoing  Ongoing  Ongoing	Chief Finance Officer	
1.03	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	Chief Finance Officer	15 December 2010	3	3	9	R	<p>Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions.</p> <p>Professional judgement is used in the setting / delivery of income targets.</p> <p>Greater focus on cost</p>	Ongoing	Chief Finance Officer	

								control and income generation will be prioritised to mitigate the risk of income fluctuations.			
1.04	If when developing a longer term strategy to meet the MTFS, the Council does not make the public aware of its financial position and 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.	Director of Resources	15 December 2010	3	3	9	R	As part of the delivery of the BtG / commissioning programmes a clear communication strategy is in place. In adopting a commissioning culture the council is basing decisions on customer outcomes which should address satisfaction levels.	Ongoing	Communications team to support the BTG programme	
1.05	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.	Head of Paid Service	15 December 2010	4	5	20	R	Alternative savings or cuts will need to be found and agreed to ensure a balanced budget.	Ongoing	Chief Finance Officer	
1.06	If the Council does not carefully manage the commissioning of services then it may not have the flexibility to make additional savings in the MTFS and a greater burden of savings may fall on the retained organisation	Deputy Chief Executive	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	Chief Finance Officer	

1.07	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.	Chief Finance Officer	13 December 2012	4	4	16	R	Work with GOSS and county wide CFO's to monitor changes to local government financing regime including responding to government consultation on changes to New Homes Bonus and Business Rates.	Ongoing	Chief Finance Office	
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