

Cheltenham Borough Council

Cabinet – 21 June 2011

Council – 27 June 2011

Financial outturn 2010/11 and budget monitoring to May 2011

Accountable member	Councillor John Webster, Cabinet Member for Finance and Community Development
Accountable officer	Mark Sheldon, Director Resources
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	No
Executive summary	<p>In accordance with the financial rule 21.2, the council must receive a report on 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 2010/11. The information contained within this report has been used to prepare the council's Statement of Accounts for 2010/11.</p> <p>The council's Treasury Management Policy requires the council's Section 151 Officer to report to members annually, by the 30th September, on the treasury management activities of the council and prudential indicators for the previous financial year. This report also seeks to meet this requirement.</p>
Recommendations	<p>We therefore recommend that Cabinet approve the following recommendations to Council:</p> <ol style="list-style-type: none">1. Receive the financial outturn performance position for the General Fund, summarised at Appendix 2, and note that services have been delivered within the revised budget for 2010/11 resulting in a budget underspend of £174,086 which has been transferred to General Balances pending decisions over its use in 2011/12.2. Recommend the following use of the underspend:<ul style="list-style-type: none">• £48,000 to fund carry forward requests requiring Member approval at Appendix 7 which includes £15,000 to fund the arrangements for keeping the Bath Road toilets open (see paragraph 3.4)• note the Cabinet's approval, under financial rules 4G, part 8.11, to use the net underspend on new green waste schemes to fund the full rollout of plastic bottles collection across the borough in 2011/12 (estimated cost £17,000) (see paragraph 3.5)• £124,300 to fund the one off costs of the establishment of a waste company with another partner as set out in

the exempt report to Cabinet on 21st June 2011.

- transfer the balance of £1,786 to General Balances

3. Note the treasury management outturn at Appendix 9.
4. Approve the allocation of the LAA performance award grant as set out in section 5.
5. Approve the allocation of the New Homes Bonus as set out in section 6 including the use of £30,000 from the civic pride reserve.
6. The transfer of £50k from the benefits equalisation reserve to the benefits bad debt provision as per paragraph 7.3.
7. Note the capital programme outturn position as detailed in Appendix 11 and approve the carry forward of unspent budgets into 2011/12 (section 8).
8. Note the position in respect of section 106 agreements and partnership funding agreements at Appendix 12 (section 10).
9. Note the outturn position in respect of collection rates for council tax and non domestic rates for 2010/11 in Appendix 13 (section 11).
10. Note the outturn position in respect of collection rates for sundry debts for 2010/11 in Appendix 14 (section 12).
11. Receive the financial outturn performance position for the Housing Revenue Account for 2010/11 in Appendices 15 to 17 (section 13).
12. Note the outturn prudential indicators Appendix 18 and recommend that Council approve the revised prudential indicators for 2010/11, marked with an asterisk (section 14).
13. Note the budget monitoring position to the end of May 2011 (section 15).
14. Approve the advance of property grant to support the refurbishment of the Everyman theatre roof and the funding schedule for the next 6 years as at section 9 and Appendix 19.
15. Approve the one-off contribution of £170k from the Property Repairs & Renewals reserve to the programme maintenance budget to fund maintenance works at the Art Gallery & Museum in 2011/12 (section 15).
16. Approve the one-off contribution of £30k from the Property Repairs & Renewals reserve to the programme maintenance budget to fund toilet refurbishment works at the Town Hall in 2011/12 (section 15).

Financial implications	As detailed throughout this report. Contact officer: Paul Jones, paul.jones@cheltenham.gov.uk, 01242 775154
Legal implications	None directly arising from this report. Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272695
HR implications (including learning and organisational development)	None directly arising from this report. Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355
Key risks	As outlined in Appendix 1.
Corporate and community plan Implications	Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.
Environmental and climate change implications	None.

1. Background

- 1.1 This report draws together the financial outturn position for 2010/11 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 underspend.
- 1.2 In accordance with financial rule 21.2, the council must receive a report on the council's financial performance for the previous year.
- 1.3 A summary of the actual General Fund outturn position by service, including the business change and planned maintenance programmes, 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.
- 1.5 Details of the transactions in respect of capital charges are contained in Appendix 4.

2. General Fund Revenue Outturn 2010/11

- 2.1 The budget monitoring report to the end of August 2010 projected an overspend for the year of £801,700. As a direct result of that projection, the Senior Leadership Team (SLT) and cabinet instigated an immediate recruitment freeze and a rigorous approach has now been adopted for future approval for any recruitment requests. In addition, officers were instructed to reduce spend on supplies and services to essentials for the remainder of the financial year.

- 2.2 These measures enabled the council to address the potential in year budget deficit and deliver a revised balanced budget which did not require a contribution from general balances.
- 2.3 At a meeting of cabinet on 19th April 2011, members noted the provisional revenue outturn position for 2010/11 which highlighted a number of areas of potential budget savings. Projections at the time suggested that, after allowing for expected carry forwards, services were likely to be delivered within budget, resulting in a potential net budget saving of £74,300 against the revised budget for 2010/11.
- 2.4 It is pleasing to report that despite an exceptionally difficult and turbulent financial year in which income levels for council services and investments have plummeted, the council has delivered services within the resources available resulting in a budget saving of £174,086.
- 2.5 The council is proposing to set up a joint waste company with another partner which is anticipated to deliver significant savings but will require 'one off funding' of £124,300, as outlined in the separate exempt report to Cabinet on 21st June 2011. The cabinet are recommending that part of the under spend be used to fund these one off set up costs.
- 2.6 A full explanation of all variances that exceed £10,000 is contained within Appendix 6.

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 31st March 2011 or relate to items of expenditure not yet incurred but still planned to be spent in line with the original intention of the budget resulting mainly from slippage in work programmes. 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 8.10). A list of the approved carry forward of budgets, for which expenditure is in line with the original approved purpose, totalling £303,200 is contained in Appendix 7. In accordance with the Service Reporting Code of Practice (SeRCOP), a transfer was made to a 'carry forward' reserve in 2010/11 (Appendix 8) and transfers will be made from the 'carry forward' reserve in 2011/12 to the appropriate cost centres in order that members and officers have a clear indication of the total budget, including carry forwards, available for 2011/12.
- 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 2010, their alternative use requires council approval. In line with a previous decision, these are subject to member approval. The list contained in Appendix 7, totalling £48,000, has been reviewed and supported by the Senior Leadership Team and now requires council approval.
- 3.4 The public conveniences budget for 2011/12, approved in February 2011, includes a saving from the closure of some public toilets, which included the Bath Road facilities. It is the cabinet's intention to use some of the reported underspends to fund the cost of keeping the toilets open with the support of the Bath Road traders plus the associated property costs (including NNDR) which amounts to £15,000 in 2010/11. A permanent solution to funding these will be addressed in agreeing the budget for 2012/13.
- 3.5 The medium term financial strategy provides for the roll-out of plastic bottle collection across the borough during 2011/12 and 2012/13. The cabinet has approved, (under Financial Rules 4G, part 8.11) that £17,000 from the underspend in the new green waste scheme be used to enable this programme to be brought forward, with the roll-out of the full scheme in 2011/12.

4. Treasury Management

- 4.1 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and 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 A summary of the financial implications of the transactions in respect of interest and investment income are contained in Appendix 5.
- 4.3 The detailed treasury report, including the current assessment of the implications of the councils exposure to Icelandic banks, as approved by the Treasury Management Panel at its meeting on 6th June 2011, is attached at Appendix 9. The key points are highlighted below:
- 4.4 Icelandic Banks**
The Council has outstanding loans with the Icelandic owned banks Glitnir, Landsbanki and Kaupthing, Singer & Freidlander (KSF). The situation as at February 2011 was reported in the previous budget monitoring report.
- 4.5 The situation with regards to money outstanding with both Glitnir and Landsbanki has progressed further. A decision was made by the Icelandic District Court (the 'Court') on 1st April 2011 that Local Authority wholesale depositors in these banks are to be considered preferential creditors.
- 4.6 This Judgement means that UK Local Authorities' wholesale deposit claims have been recognised as deposits with priority status over other creditors' claims and will be at the front of the queue when payments are made. However, the decision is subject to appeal to the Icelandic Supreme Court, with a final decision expected in the Autumn of 2011.
- 4.7 In its 2008/09 and 2009/10 accounts the Council wrote down the value of ('impaired') its investments with Glitnir Bank hf to reflect the likely amounts to be recovered. Based on the best information available at the time and in line with the winding up board's view, it was assumed that local authority deposits with Glitnir did not have preferential creditor status under Icelandic law. This indicated a recovery rate of 29% with repayments extending to 2015, resulting in an impairment charge to the Income & Expenditure account of £2.6 million.
- 4.8 The impairment did not, however, have an impact on the general fund due to the council obtaining a capitalisation direction of £4.430 million for the year, allowing it to treat the losses on the Icelandic banks as capital expenditure, in effect borrowing the money to spread the cost over 20 years.
- 4.9 The decision by the Court means that the council is required to reassess the recoverable amount and impairment charged to the Income & Expenditure account for the Glitnir deposit. A revised recovery rate of 100%, with repayment possible by the end of 2011, now results in an impairment *credit* to the Income & Expenditure account of £2.4 million in 2010/11.
- 4.10 The court decision does not affect the impairment charge made for the Landsbanki deposits, as the authority had in this case already assumed preferential status would be achieved, in line with the view taken by that bank's winding up board.
- 4.11 In the November budget monitoring report it was reported that the likely amount to be recovered at that time for the KSF loans was 79p in the £ (up from 71p assumed for the 2009/10 accounts). This was likely to result in an impairment *credit* to the Income & Expenditure account of £230,000.
- 4.12 The latest information indicates that the authority is now likely to receive 82p in the £ for the KSF deposits. This increases the impairment credit made in the 2010/11 accounts by £96,000 to £326,000, resulting in an overall impairment *credit* (including that for Glitnir) to the Income & Expenditure account of £2.7 million.
- 4.13 In the November report it was explained that, since the impairment credits are adjustments to

impairments which had been charged to capital and financed from borrowing, they should be used to repay such debt. Hence it was recommended that the £230,000 credit for the KSF loans is used to make a voluntary provision for the repayment of debt. This will reduce annual debt repayments for the next 19 years (beginning in 2011/12) by £12,000 per annum. The reduction has been built into the budget 2011/12.

4.14 Normally repaying debt would be the recommendation for the £2.4 million credit for the Glitnir loan and the additional £96,000 for the KSF deposits, however the decision to treat local authority deposits as priority claims is not final as it is subject to appeal. Therefore it is recommended that these additional credits be temporarily transferred to an earmarked reserve until the final decision is made.

4.15 Should the final decision confirm that the deposits do have priority status then the reserve will be used to repay debt or alternatively, should they ultimately be deemed not to have such status, meet the resulting increased impairment charge in this or future years. In the case of the latter scenario the authority would then only have to find the money to cover the increased impairment for the Landsbanki loans, for which a further capitalisation direction would be sought.

4.16 Treasury Management Activity

There is a predicted surplus of interest of £10,101 to report on Treasury Management for 2010/11. The General Fund (GF) is £50,863 adverse against the 2010/11 revised budget while the Housing Revenue Account (HRA) is £60,964 favourable against the revised budget.

4.17 The primary reason for the shortfall in the General Fund is that the calculation for the HRA Item 8 Debit at revised budget estimated the consolidated rate of interest to be 3.08% on all borrowing for the financial year, however due to the council's weighted average of total borrowing for 2010/11 being lower than the Capital Financing Requirement (CFR), which is a measure of the authorities underlying need to borrow for capital purposes, a different formula is required to calculate the HRA Item 8 Debit than what has been used previously. This has reduced the consolidated rate of interest to 2.80% to recharge HRA borrowing, compared with 3.13%, the council's overall average borrowing rate for the financial year. This has resulted in £51,944 less interest being payable by the HRA to the GF for 2010/11.

4.18 HRA opening revenue balances are expected to be higher than estimated at revised budget time due to a slippage in capital expenditure. This has resulted in the HRA receiving £9,020 more in interest from the GF.

4.19 Lending interest is forecast to be favourable by £7,477. As mentioned in paragraph 4.10 the HRA revenue balances are higher than expected which resulted in the council having more to invest for a longer period by utilising the Bank of Scotland Call Account.

5. LAA performance reward grant

5.1 Following the successful achievement of 75% of Gloucestershire's LAA stretch targets, the council has been awarded a total performance reward grant allocation of £257,748. In addition to this sum, £50,983 remains unallocated from a previous allocation of performance reward grant which totals £308,731 that is available for additional investment.

5.2 In February 2011, cabinet set out its aspirations to fund the following one off investment, funded from LAA performance reward grant, subject to it being awarded, and confirmed that these aspirations would be brought back to council in the outturn report in June 2011 for approval:

- £50k towards match funding the £50k contribution from GCC to address youth work issues that the County can no longer fund in the way that it traditionally has.

- £30k for community pride / big society initiatives to establish another round of Community Pride as last year, with the emphasis on enabling 'Big Society' initiatives to be taken forward, such as promoting volunteering or voluntary initiatives.
- £30k towards supporting Cheltenham Voluntary and Community Action (VCA) at £10k a year for the next three years from the LAA Performance Reward Grant to develop the voluntary and community market through capacity building and supporting the Council to achieve its goal of being a commissioning organisation.
- A capital contribution of £180k spread equally over the next 3 years (i.e. £60k per annum) towards the Warm and Well scheme administered by Severn Wye Energy Agency on the basis that private sector renewals grant has been withdrawn from 2011/12.

5.3 It is recommended that the remaining amount of £18,731 is transferred to supplement the economic development fund (paragraph 6.4).

6. New Homes Bonus

- 6.1 The New Homes Bonus scheme is designed to address the disincentive within the local government finance system for local areas to welcome growth. The scheme is designed to provide local authorities with the means to mitigate the strain the increased population causes whilst promoting a more positive attitude to growth and creating an environment in which new housing is more readily accepted. Whilst funding will not be ring-fenced for a specific purpose, it is designed to allow the 'benefits of growth to be returned to local communities'.
- 6.2 The 2011/12 New Homes Bonus allocation for Cheltenham is £290,275 and the cabinet are proposing that 2 funds are created for the following uses:
- 6.3 An amount of £130,000, supplemented by a transfer of £30,000 from the civic pride reserve to provide a total fund of £160,000 for small environmental works. Bids from within council departments will be made and decided by the cabinet in the autumn. The aim will be to tackle environmental issues in packages costing around £15,000 or so a time. An initial request has been made, and supported by Cabinet, for £10,800 to purchase larger waste bins for the council's parks to remove the need to use wheelie bins to cope with the summer peak in activity plus replacement bins adjacent to Imperial gardens to complement the re-paving scheme.
- 6.4 The residual amount of £160,275, supplemented by £18,731 of unspent LAA performance reward grant, giving a total fund of £179,006, for economic development purposes to help tackle the recession – and promote the town as a place in which to do business by sponsoring activities and events which will attract visitors and trade. It will include cultural activities such as the festivals and tourist activity. Criteria for applying and the administration of these funds will be established as soon as possible. It is likely to be distributed in 2 phases during the year. A panel including an external business presence and the appropriate cabinet portfolio holders for economic development, culture and finance will be established to advise the cabinet on its allocation.

7. Reserves

- 7.1 The Section 151 Officer has, under delegated powers (financial rule 11.2), 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 2010/11 are included within the Use of Reserves and Balances schedule at Appendix 8.
- 7.2 Appendix 10 details the reserves held by the council, states their purpose and indicates the balance at 31st March 2011. In setting the budget for 2011/12 a review of reserves was undertaken with a view to assessing whether the levels were appropriate, in line with the policy for

reserves and balances, taking into account the needs and risks of the organisation and the prevailing economic conditions. At the year end this process has been repeated.

- 7.3** Following a recent audit report and on the advice of the Benefits Manager, there is a recommendation to increase the size of the bad debt provision for benefit overpayments as a result of the government's proposed change from the current benefits system to universal credits which may mean that any outstanding debts may not be recoverable against future benefit payments leaving the council to finance any write off. The bad debt provision as at 31st March 2011 is £340k and it is proposed that £50k is transferred from the benefits equalisation reserve to increase the reserve to £390k. The audit recommendation is that the provision should be at 75% of the level of bad debt level by 2017. My advice is that over the next few years the council look to increase the provision further through further realignment of the benefit related reserves or from any future under spends. The cabinet is therefore recommending that council transfer £50k from the benefits equalisation reserve to the benefits bad debt provision. The council remains committed to supporting people who are currently in receipt of benefits under the current scheme in the transition to universal credits
- 7.4** 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.
- 7.5** The level of maximum individual reserve balances were reviewed in February 2011, as part of the budget setting process. At 31st March 2011, most reserves are within these specific maximum levels.
- 7.6** It is important to understand and consider that there is an opportunity cost in maintaining reserves. Members will be aware that reserves exist for specific 'earmarked' and valid purposes which are regularly reviewed. Over time, it is anticipated that these reserves will be used for the purpose for which they were set aside. Hence the opportunity cost of holding these reserves at existing or slightly above existing levels is either justified or insignificant.
- 7.7** At the year end, the General Fund Balance stands at £2.667m (which includes the underspend of £174,086 pending the recommendations above) and therefore remains above the minimum range of £1.5m to £2m recommended by the Section 151 Officer. Given the prevailing economic conditions and the pressure on the current and future year's revenue budgets, I would recommend that this should not be reduced.

8. Capital Outturn 2010/11

- 8.1** The outturn position in respect of General Fund capital is contained in Appendix 11. Members are asked to note the outturn position and, where there is slippage, approve the carry forwards into 2011/12 requested by officers. Generally, whilst there has been some slippage in the capital programme, the profiling and monitoring of capital spend has significantly improved.

9. Everyman theatre

- 9.1** The council, at its meeting in February 2010, agreed a £1m loan facility to support the theatre's refurbishment programme plus a grant of £250k. This was in tandem with a renegotiation of the building lease which transferred all maintenance responsibilities to the theatre under a full repairing lease with an additional £15,000 property grant to offset these additional liabilities.
- 9.2** In preparing for the commencement of the refurbishment programme, it has transpired that it would be sensible to address roof repairs now rather than undertake them at a later date. As such, there is an upfront cost of around £100k, for which the theatre has requested that the council advance a further 3 years instalments (£45k) of the additional £15k property grant to part

fund the roof repairs so that it will have £60k towards the roof costs.

- 9.3 The cabinet therefore recommends to council that it varies the funding agreement to advance a further £45k of the additional property grant to fund the theatre's roof repairs. In addition, the cabinet is also recommending that council agree the schedule of funding support, which has now been agreed with the theatre, for the next 6 years as documented in Appendix 19.

10. Section 106 receipts

- 10.1 A position statement in respect of the activity of Section 106 receipts is contained in Appendix 12.

- 10.2 The following summarises the activity in respect of Section 106 for 2010/11, compared to 2009/10.

	31/3/10 £	31/3/11 £
Balance of unused Section 106 receipts	632,402	279,582
Net additional receipts (transfers to GCC) in year	(83,631)	55,363
Receipts used to finance projects in year	(269,189)	(45,629)
Balance outstanding at year end	279,582	289,316

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 13. This shows the position at the end of March 2011.

12. Sundry debt collection

- 12.1 The monitoring report for the collection of sundry debt income is shown in Appendix 14. This shows the position at the end of March 2011.

13. Housing Revenue Account (HRA)

13.1 HRA income and expenditure

The revised estimates for the Housing Revenue Account anticipated a surplus of £1,408,200 which would increase revenue reserves to £2,989,000. The outturn statement, at Appendix 15, shows a surplus for the year of £2,092,379, an overall positive variance of £684,179 which has increased the revenue reserve to £3,673,179. There is also a balance of £304,121 in the major repairs reserve to carry forward to 2011/12.

This positive variance arose primarily from:

- lower revenue funding of capital expenditure required (£516,731)
- reduced interest payable due to a reduction in the rate chargeable and additional interest received on higher reserve balances (total £60,964)
- reduction in the need to provide for bad debts (£60,562)
- additional rent income (£50,763), attributable to a lower void rate

- increased income from commercial lettings (£16,392)
- savings in management costs (£21,779)

Partially offset by the additional contributions to the housing repairs account (£34,814) as detailed in paragraph 13.2

13.2 Housing repairs account

The council keeps a separate housing repairs account (shown at Appendix 16) that assists in smoothing out peaks and troughs in the need for responsive repairs. Total costs on this account exceeded the budget of £3,735,000 by £34,814 which is not considered significant given the demand led nature of the expenditure.

13.3 HRA Capital Programme

As shown at Appendix 17, actual expenditure totalled £3.062m, a reduction of £789,000 when compared to the revised estimate of £3.851m. This variation was detailed in the February 2011 monitoring report and arose from delays in two projects namely:

- The transformational improvement programme at St Paul's whilst development agreements were completed
- The neighbourhood works programme at Scott and Edward Wilson House due to the financial failure of two contractors

Both projects have since commenced and resources will be carried forward in reserves to fund the schemes.

14. Prudential Indicators

- 14.1** At the meeting of the council in February 2010, the council set the prudential indicators for 2010/11 to comply with the prudential code. A summary of the prudential indicators for the year are contained in Appendix 18.
- 14.2** 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 2010 council meeting.
- 14.3** The outturn position for 2010/11 has, in some cases, had an impact on prudential indicators for 2011/12 where there is slippage and carry forward of spend. As a result some revisions to the prudential indicators for 2011/12, approved by council in February 2011, have been made. These are marked with an asterisk in Appendix 18 and require member approval.

15. 2011/12 Revenue and Capital budget monitoring to May 2011

- 15.1** Although, due to the pressures of the year end process, a detailed monitoring exercise has not been undertaken at this point in the year, the following areas are worth noting at this stage in the financial year.
- 15.2** Land Charges – the income figures for the first two months of the financial year show the level of income to be £4,000 behind the budgeted target. If this trend continued throughout the year the annual shortfall would be in the region of £20,000. Given the current economic climate and stagnant property market this shortfall may be realised at the end of the full financial year.
- 15.3** Planning Fees – the income figures for the first two months of the financial year show a shortfall against budget of £18,000. If this trend continued throughout the year the annual shortfall would be in the region of £80,000. However, there are large applications with a potential to result in

additional income. The risk of not achieving the annual income target is therefore considered low at this point in the year

- 15.4** Building Control fees - the income figures for the first two months of the financial year show additional income against budget of £7,000. However, given recent shortfalls in income it is too early in the financial year to accurately predict the likely outturn for the full year.
- 15.5** Off-Street Car Parking – income from off-street parking is composed of two elements – fines and fees. In considering fine income we need to include the actual income paid and also the potential income that could result from bailiff action to recover unpaid fines. The combined figures from both income sources suggest that fine income is anticipated to fall short of the profiled budget by £3,000 and fee income £15,000 behind the profiled budget as at the end of May 2011. If this trend were to continue throughout the year this could result in a combined income shortfall against budget of £85,000 which represents approximately 2% of target budget. This reduction in income trend may be partly as a result of the increased availability of On-Street Pay and Display spaces which is resulting in increased capacity for non-local users. Due to the heavy seasonal profiling of off-street parking income it is difficult to predict the exact trend in the current financial year. Future budget monitoring reports will provide updated positions with a greater degree of accuracy.

Bridging the Gap Programme

- 15.6 Green Waste** – The original sales target for the Garden Waste service was based on experience and data received from neighbouring Authorities operating similar schemes. Sign up, however, to this new service has slowed this financial year. Sales in April were approx. 1,125 and in May 550. Total sales for December to March 2010/11 were 8,375 and in 2011/12 to the end of May 2011 are 1,675 giving an overall sales figure of 10,050 since the inauguration of the scheme. Should the May trend repeat until August, the April peak reoccur in the Autumn month of September and last years sales renew during the Winter months we will achieve sales in the region of 13,500 in the financial year 2011/12 against a target of 20,000. This is 6,500 short of budgeted expectations and represents a shortfall in income of £223,200.
- 15.7** As a result of this the cabinet has requested that marketing campaigns be planned to increase sign-up so that it returns to target, and customer feedback be sought to determine reasons for not signing up to the scheme. The work plan for this financial year includes exploration of options to make the Garden Waste service accessible for those residents who cannot house a wheeled bin
- 15.8** Costs are anticipated to be on budget for 2011/12.
- 15.9 Customer Services restructure** – The Bridging the Gap programme identified savings of £115,000 in 2012/13 from the systems thinking work highlighting opportunities to encompass the front-office service provided to Revenues and Benefits by Customer Services. More efficient processes were identified, from providing expertise from the back office directly to customers in the front officer. The restructure has been put in place from 1st April 2011, a year prior to the planned saving, on the basis that any 2011/12 saving would be required to fund the decommissioning costs. However, decommissioning costs are forecast to be significantly less than anticipated. As a result it is likely that around £50,000 of savings will be brought forward and delivered in 2011/12.
- 15.10 Delete Frozen Vacancies** - The identification of vacancies frozen in 2010/11 for deletion in 2011/12 to meet a target of £80,000 remains challenging. Despite ongoing efforts, operational issues and vacancies earmarked for restructures already included within the Bridging the Gap Programme have meant that the anticipated plan has had to be reviewed. Options to offset this shortfall are currently being considered..
- 15.11 Closure of Public Conveniences** - the full budgeted savings from the Bridging the Gap program in relation to the closure of some Public Conveniences is unlikely to be realised this financial year. Additional facilities will remain in operation in Charlton Kings and Bath Road for which a carry

forward request of £15,000 is being sought for approval to fund the arrangements for Bath Road toilets using the Bath Road traders. It is anticipated that this cost centre will be overspent by £18,600 this financial year as a result.

- 15.12 HMRC Car Mileage Reimbursement Rates** - The initiative to implement HMRC car mileage reimbursement rates has been fully implemented. The saving of £20,000 was calculated based on a reduction of 15p per mile, as the rate was dropping from 55p to 40p. However, the 2011 Budget increased the rate by 5p to 45p per mile, which has resulted in an estimated £6,700 reduction in saving.
- 15.13 Review of Essential / Regular Car Allowances** - A thorough review of the essential and regular car allowances has been completed, however although this has resulted in certain officers having their allowances reduced or removed, the review of the policy identified a number of officers that were in fact entitled to the allowance. The policy was also reviewed and allowed for any officers having their allowance reduced or removed would be entitled to a transition period – 3 months at current allowance, 3 months at half allowance. This transition period has also impacted on the forecast saving, reducing it by around £15,000.
- 15.14** SLT have agreed that, for the next 3 months, that spending on supplies and services should be restricted to essential items until more work has been undertaken to firm up the current year's budget position and until mitigating measures have been identified to rectify any potential budget issue.

Art Gallery & Museum building

- 15.15** Following the announcement in March that the Heritage Lottery Fund grant award to the Art Gallery & Museum had been successful the Development Scheme has now progressed to RIBA Stage G with tenders for the main building contractor scheduled to be returned on June 20th 2011
- 15.16** With the Scheme now progressing, it is important to maximise the opportunity that the Redevelopment Project presents regarding the carrying out of essential building maintenance works that has been identified within the Council's 20 year maintenance plan whilst the site is shut.
- 15.17** £170k of essential works has been identified to be carried out during the period 2012/13 at the Art Gallery & Museum site within the 20 year maintenance programme. The works are in respect of roof, boiler, fire and security system replacements, which have been deferred from being carried in previous years due to the uncertainty of whether the Development Scheme would go ahead. In order to maximise the economies of scale the Development Scheme presents there is now a need to bring forward the financing of these works in order to ensure the opportunity to carry them out whilst the site undergoes major building works is not lost. The approval of these works would ordinarily form part of the annual budget setting process in February 2012 and 2013, however given the opportunity that the Development Scheme presents Cabinet recommends to Council that the financing of the works identified is advanced into this year. It must be noted that the timetabling of carrying out the works is still uncertain and therefore should they fail to be completed during the remainder of this year a carry forward request will be made in respect of any under-spend that may arise.
- 15.18** Cabinet therefore recommends to Council that an additional one-off contribution of £170k be made from the Property Repairs and renewals reserve into the programmed maintenance budget in 2011/12, to be allocated to these works.

Town Hall Toilets

- 15.19** The current volume of traffic through the toilets at the Town Hall is in excess of 300,000 people per year. The number of customers places a huge demand on the old existing toilet systems and

pipe work and causes excessive wear and tear to the flooring and décor of the facilities.

- 15.20** During sell out shows when 900 people all wish to use the toilets in a 15 minute interval, the systems can not cope with such a high demand and regularly block, flood and leave raw sewage on the floor. This undoubtedly gives the Town Hall a bad reputation for cleanliness, which undermines its viability as an entertainment venue.
- 15.21** The approximate cost per year for maintenance issues with the toilets is in excess of £5,000 and the Town Hall may in the future have to reimburse private hirers part of the hire fee for not providing adequate facilities. The cost of reactive rather than proactive maintenance is high. This would be significantly reduced if the current toilet systems were improved.
- 15.22** In the last year the Town Hall have received complaints about the current condition of the toilet facilities. People's expectations are higher than ever before. Contemporary design and a beautiful finish can be found in even the most basic of restaurants and town centre bars. As investment has been made into other areas of the Town Hall, it has become more and more apparent that the toilet facilities are inadequate and in urgent need of improvement. As the premier entertainment venue in Cheltenham the council has a duty to provide clean, hygienic working facilities that are on a par with the rest of the building.
- 15.23** The Town Hall is working to grow our business for 2011/12 in areas of conference and banqueting, meetings & weddings. In order to achieve the projected business growth, the Town Hall needs to be able to compete in the marketplace.
- 15.24** The cost of carrying out necessary improvement works to the toilets is £30k. The works are identified to be carried out in 2012/13 within the 20 year maintenance programme. Cabinet recommends to council that the financing of these works is brought forward into the current year in order that the refurbishment can be carried out in January 2012.
- 15.25** Cabinet therefore recommends to Council that an additional one-off contribution of £30k be made from the property repairs and renewals reserve into the programmed maintenance budget in 2011/12, to be allocated to these works.

16. Section 151 Officer advice

- 16.1** The Government expects councils to make a significant contribution to reducing the level of public debt and will the council will be subject to significant public sector funding squeeze 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 cost / staffing reductions. As such, any opportunity to bolster the General Reserve to finance one off costs should be taken.
- 16.2** In agreeing the recommendations, 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 2010/11 demonstrates that, despite the extremely challenging year, the council managed to turnaround a projected overspend of £800k which demonstrates that it continues to maintain a strong and consistent track record of the management of services within budgets. There are no significant 'unexpected' overspends or under spends in 2010/11 which demonstrates that budget monitoring arrangements remain strong.

17.2 If approved, some of the carry forward requests will assist in the delivery of corporate objectives, help to complete projects started in 2010/11 and support initiatives which help to bridge the medium term funding gap.

17.3 Members should note that the outturn position will be used to prepare the Statement of Accounts for approval by council.

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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Appendices	<ol style="list-style-type: none"> 1. Risk assessment 2. Summary outturn performance position - General Fund 3. Service level outturn performance position - General Fund 4. Capital charges 5. Interest and investment income 6. Significant variances 7. Carry forward requests 8. Use of balances and reserves 9. Treasury outturn 10. Movement on earmarked reserves and general balances 11. Capital programme - General Fund 12. Section 106 receipts statement 13. Council tax and NNDR collection 14. Sundry debt collection 15. HRA Operating account 16. HRA Housing repairs account 17. HRA Capital programme 18. Prudential indicators 19. Everyman Theatre funding schedule

Background information	<ol style="list-style-type: none">1. Section 25 Report – Council 11th February 20112. Final Budget Proposals for 2011/12 – Council 11^h February 20113. Joint Working in Waste and Environmental Services ‘The creation of a Local Authority Company’ – Cabinet 21st June 2011
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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.	Unable to take corrective action in respect of reduced income streams.	Cabinet	June 2010	3	3	9	Reduce	The council turned a projected £800k overspend into an under spend. However, in the current year (2011/12) there is further pressure on income targets which SLT will consider at a future meeting.	Sept 2011	SLT	Corporate Risk Register
2.	If the council continues with its zero recruitment policy, then capacity may be impacted adversely, plus morale and motivation of employees	Cabinet	October 2010	3	3	9	Reduce	Executive Board will monitor the process, via quarterly reviews. Although the year end has now passed and the recruitment freeze has been lifted, the Executive Board still continue to review recruitment requests.	March 2012	Executive Board	Corporate Risk Register
3.	Green Waste sales do not reach target of 20,000.	Director Operations	June 2011	4	4	16	Reduce	Marketing campaigns are planned to increase sign-up so that it returns to target, and customer feedback be sought to determine reasons for not signing up to the scheme.	August 2011	Director Operations	Corporate Risk Register

4.	In the past the council has used in year savings to support one off growth to fund new initiatives or unpredicted expenditure. It is unlikely that moving forward over the life of the MTFs there will be such savings and if new initiatives or unpredicted expenditure arises then the dependency on the General Reserve will intensify.	Director Resources	December 2010	4	3	12	Reduce	Future capital receipts may be needed to galvanise the General Reserve.	December 2011	Director Resources (working with SLT)	
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