

Cheltenham Borough Council

Cabinet – 10 October 2017

Budget strategy and process 2018/19

Accountable member	Cabinet Member for Finance, Councillor Rowena Hay
Accountable officer	Chief Finance Officer (Section 151 Officer), Paul Jones
Accountable scrutiny committee	Budget Scrutiny working group
Ward(s) affected	All
Key Decision	Yes
Executive summary	The purpose of this report is to propose a broad strategy and outline a process for setting the budget and council tax for 2018/19. It outlines a number of principles that need to be established at this stage to enable budget preparation to commence.
Recommendations	<p>That Cabinet:</p> <ol style="list-style-type: none">1. Approves the budget setting timetable at Appendix 2.2. Approves the budget strategy outlined in section 5.3. Notes the expected cut in government baseline funding of £364k for 2018/19, the estimated funding gap of £1.079m and the large amount of work done so far to close this gap.4. Notes the intention for this Council to remain in the Gloucestershire Business Rates Pool in 2018/19 as outlined in section 6 and to consider the merits of applying to the Government to pilot 100% Business Rates Retention in 2018/19.5. Requests the Section 151 Officer and the Cabinet Member for Finance to consider suggestions from the Budget Scrutiny Working Group in preparing the interim budget proposals for 2018/19 as outlined in section 7.
Financial implications	<p>This report sets out the budgetary process for 2018/19 and the general financial parameters under which the budget will be prepared.</p> <p>Contact officer: Paul Jones, paul.jones@cheltenham.gov.uk, 01242 775154</p>

Legal implications	<p>None specifically arising from the report recommendations. The budget setting process is governed by the Budget and Policy Framework Rules (contained in the Council Constitution) and the process recommended in this report is designed to meet the requirements of those Rules.</p> <p>Contact officer: Peter Lewis, peter.lewis@teWKesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>There are no HR implications arising from the content of the report at this stage. As part of ongoing dialogue with the two recognised trade unions consultation on the budget position will take place.</p> <p>Contact officer: Julie McCarthy, julie.mccarthy@teWKesbury.gov.uk, 01242 264355</p>
Key risks	<p>The Council, as part of its work on corporate governance, has a corporate risk management strategy and corporate risk register, which highlights key risks to the organisation in achieving business objectives. The high level risks will need to be addressed as part of the budget process and may require additional resources or the re-direction of existing resources to mitigate unacceptable levels of risk. These risks are regularly reviewed by the Corporate Governance Group and Cabinet and the Overview and Scrutiny Committee have the option to scrutinise any aspect of the risk register.</p> <p>See risk assessment at Appendix 1.</p>
Corporate and community plan Implications	<p>The annual budget aims to deliver the outcomes defined by the Council's corporate business plan and resourcing should be aligned to the delivery of corporate plan priorities.</p>
Environmental and climate change implications	<p>None arising from this report</p>

1. Background

- 1.1 The responsibility for preparing the budget in line with the Council's policy framework, taking proper account of technical and professional advice and presenting proposals to Council for approval, lies with the Cabinet.
- 1.2 It is customary for the Cabinet Member for Finance, at this time of year, to present a report on the budget process. Accordingly, this report aims to outline a process designed to arrive at an acceptable budget.

2. Budget / business planning timetable

- 2.1 The budget and policy framework requires that the Council publish a timetable setting out the key dates in the budget setting process. A draft budget timetable, attached for approval at Appendix 2, sets out the sequence of events leading up to the setting of the budget and council tax level for 2018/19.
- 2.2 The timetable allows sufficient time to consider alternative budget proposals or amendments put forward to the budget proposed by the Cabinet.
- 2.3 The following fundamental principles, established in previous budget rounds, are incorporated into the process of determination of the budget for 2018/19:

- Cabinet should make timely decisions in order to assist the officers in presenting the budget proposals to Cabinet and Council in accordance with the timetable.
- Opposition parties, who have worked up alternative budget proposals, should be validated by GO Shared Services, in time for the budget meeting in February 2018.
- Members aim to set Cheltenham Borough Council's budget and council tax at the Full Council budget meeting.

3. Settlement Funding Assessment

3.1 On 8th February 2016, the Secretary of State for Communities and Local Government announced the final local government settlement for 2016/17. The announcement included the following significant proposals to be delivered over the life of the Spending Review Period:

- Movement to 100% business rate retention;
- Permission to spend 100% of capital receipts from asset sales, to fund cost-saving reforms;
- Introduction of a social care Council Tax precept of 2% a year for those authorities with social care responsibilities;
- Flexibility for district councils to increase council tax by £5 a year;
- Increased support through the Rural Services Delivery Grant for the most sparsely populated rural areas;
- Retention of New Homes Bonus **but** with proposed changes, savings from the changes to be re-invested in authorities with social care responsibilities;
- The offer of a guaranteed 4 year budget to every council, which desires one, and which can demonstrate efficiency savings.

3.2 The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.

3.3 The final local government settlement for 2017/18 equated to a further grant reduction in cash terms of £0.677 million or 17.5%. The proposed settlement for 2018/19, as outlined in the 4 year multi-settlement agreement, indicates a further grant reduction in cash terms of £0.364 million or 11.4%.

3.4 Since 2009/10 the Council's core funding from the Government has been cut by some £6.4 million, from £8.8 million to £2.4 million (this excludes council tax support funding of £812k which transferred into the settlement funding assessment in 2013/14).

3.5 The proposed levels of government funding for this Council are set out in the table below. Overall 'core' central government funding (referred to as the Settlement Funding Assessment) is set to reduce by a further 11.4% in 2018/19.

	2016/17 £m	2017/18 £m	2017/18 £m
Revenue Support Grant	1.273	0.544	0.102
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.600	2.652	2.730
Settlement Funding Assessment	3.873	3.196	2.832

Actual cash (decrease) over previous year	(0.816)	(0.677)	(0.364)
% cash cut	(17.4%)	(17.5%)	(11.4%)

- 3.6** The Government's policy of phasing out revenue support grant and in due course potentially 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.
- 3.7** However, by not including the Local Government Finance Bill in the Queen's Speech, the Government has given a very strong indication that it will not be proceeding with 100% business rates retention, at least not yet. There are suggestions that the Government is going to have a re-think about business rate retention, and this may or may not result in 100% retention.
- 3.8** The omission of the Local Government Finance Bill from the legislative programme, leaves the plans for business rates retention in limbo and creates greater uncertainty for future funding settlements. The Department for Communities and Local Government have stated that the Government is committed to delivering the manifesto pledge to help local authorities control more of the money they raise and will work closely with local government to agree the best way to achieve this.
- 3.9** In addition to the above, Members will recall the late changes to the New Homes Bonus calculation, through the introduction of a 0.4% baseline target, had significant financial consequences for this Council.
- 3.10** A technical consultation paper on the 2018/19 Local Government Finance Settlement has been launched with a closing date for responses of 26th October 2017. Officers are currently working up a response to that consultation which is likely to feed into the Autumn Statement announcements on 22nd November 2017.
- 3.11** This consultation paper outlines suggested proposals for further reforms to the New Homes Bonus calculation which may include further increases to the baseline target.
- 3.12** District Councils are concerned that decisions relating to the New Homes Bonus scheme continue to be made only a few months before the start of the new financial year therefore impacting on the ability for district councils to understand the impact on their budgets. This runs contrary to the stated aim of 4 year settlements which was to reduce this uncertainty.

4. Medium Term Financial Strategy (MTFS) and 2018/19 projected funding gap

- 4.1** The Medium Term Financial Plan 2017 – 2020, approved by Council in February 2017, projected a funding gap for the period 2017/18 to 2019/20 of £3.961m. This was the projected financial gap between what the Council needs to spend to maintain existing services (including pay and price inflation) and the funding available based on the 4 year settlement figures which were provided for each financial year up to 2019/20.
- 4.2** The MTFS projections have been updated to reflect the best estimates of the financial pressures impacting on the Council, including an updated view on business rates income and the potential funding cuts after the Autumn Statement is announced. The updated estimate of the funding gap for 2018/19 is now £1.079m.
- 4.3** The Government expects councils to make a significant contribution to reducing the national

budget deficit and the Council will continue to face significant reductions in its 'core' funding over the next few years. Future budgets will undoubtedly contain some difficult decisions and may require some sources of 'one off' finance to enable longer-term savings to be delivered through efficiency savings and cost/staffing reductions.

- 4.4** Given the current uncertainty surrounding business rates retention, new homes bonus and pay awards for the public sector, it is prudent to defer the full publication of the MTFS to the Cabinet meeting in December 2017 as part of the interim budget proposals. This will enable the Cabinet to react positively to any changes announced in the Autumn Statement and ensure that our MTFS is robust and fit for purpose.

5. Cabinet Budget Strategy

- 5.1** In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's costs. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.
- 5.2** The key mechanism for carrying out this strategy is the Bridging the Gap (BtG) programme, which seeks to bring service costs in line with available funding. To date, this programme has been very successful in managing funding gaps, with over £12m generated from BtG work streams including service reviews, shared services, increased income generation and asset management initiatives. This achievement has made it possible to date, to adopt a more strategic approach to identifying savings and additional income rather than relying on 'salami-slicing' of budgets.
- 5.3** The Cabinet believes the longer term approach to finding efficiencies to close the funding gap is fundamentally through economic growth and investment and the efficient utilisation of our assets. With this in mind, the Cabinet are working with the Executive Management team to deliver a commercial strategy which will sit alongside the MTFS to be reported to Cabinet in December 2017. In addition, resources will be geared towards supporting and delivering the growth agenda including major developments in North West and West Cheltenham.
- 5.4** The starting point for constructing the 2018/19 budget has been a projected funding gap of £1.079m.
- 5.5** Closing a gap of this size is a huge challenge for the Council, but the challenge is being met by a proactive approach to identifying budget savings, carried out by the Cabinet and the Executive Management Team. This work has already made significant progress towards bridging the gap, having identified at this early stage potential savings and additional income of £635k, leaving £444k to find, assuming a £5 council tax increase.
- 5.6** It is therefore the Cabinet's intention to meet the shortfall in funding in 2018/19 from the budget strategy (support) earmarked reserve in order to deliver a balanced budget. This will give the Council more time to deliver its long-term strategy for delivering the substantial savings required.
- 5.7** Clearly work remains to be done towards building a robust base budget for 2018/19 and this may result in the funding gap increasing. In addition, the Government's final financial settlement may be worse than currently indicated. It is therefore important that the work of identifying budget savings should continue up to the publication of the draft budget proposals and beyond.

Council tax

- 5.8** For the period 2010 to 2015 the Council had frozen its council tax at £187.12 a year for a Band D taxpayer. In taking this course of action, the Cabinet had borne in mind the difficult economic and financial climate that many of our residents were facing. However, during the period of the freeze our own financial position as a Council deteriorated sharply. Our core Government funding has

been cut drastically, with further large cuts to come. In addition, inflation has continued to affect many areas of the Council's costs.

- 5.9** Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 2 per cent for all local authorities, as in 2017/18. However, shire districts will be allowed increases of up to and including £5, or up to 2 per cent, whichever is higher.
- 5.10** In 2018/19 it is proposed to increase the collection rate target from 98.75% to 99.0%. In 2015/16 and 2016/17, the 'in-year' collection rate has exceeded 98.3%; it is therefore deemed prudent to increase the collection rate target to 99.0% as the Council will be able to collect any arrears in subsequent years.

Service growth

- 5.11** The Cabinet's initial approach is that, given the difficult financial situation, there should be no growth in services except where there is a statutory requirement or a compelling business case for an 'invest to save' scheme.
- 5.12** Members will need to base decision-making, particularly requests for additional resources, upon the priorities in the Council's business plan. The Budget Scrutiny Working Group and the Overview and Scrutiny Committee will be invited to review and feedback to the Cabinet their priorities for relevant bids received. These priorities will be considered by the Cabinet in pulling together the consultation budget.

6. Business Rates Retention – Pooling and Pilot arrangements

- 6.1** In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements.
- 6.2** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 6.3** The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership. In the first year of operation the Pool reported a surplus of £774,862.
- 6.4** In 2014/15, the pool suffered a significant loss due to the impact of backdated appeals on rateable values and, in particular, the successful backdated appeal by Virgin Media, the largest valued business in Tewkesbury. The final pool position for 2014/15 published a deficit of £2.3m following a safety net payment to Tewkesbury of £3.9m, as reported to Cabinet and Council in July 2015.
- 6.5** In 2015/16 the Pool was back in surplus generating £877,948, and in 2016/17 generated a further surplus of £2,138,443.
- 6.6** The anticipated level of business rates due to this Council in 2018/19, taking into account the re-developments at the Brewery, John Lewis and Jessops Avenue, is above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.
- 6.7** Taking the above into account, it is the opinion of the Section 151 Officer that this Council will benefit from remaining in the pool in 2018/19 as it will result in a reduction in the levy payment

due to Government, which will be distributed in accordance with the governance arrangements.

- 6.8** Furthermore, the Government is committed to continuing to give local authorities greater control over the money they raise locally. It is in this context that the Government has decided to proceed with the already announced expansion of the pilot programme for 100% business rates retention for 2018/19. These will run alongside the five current 100% pilots which have been in operation since 1st April 2017.
- 6.9** The 2018/19 pilots are an opportunity for the Government to test more technical aspects of the 100% business rates retention system, such as tier-splits. This will provide the opportunity to evaluate how collaboration between local authorities works in practice.
- 6.10** The Government have indicated within their prospectus that they would like to see authorities form pools and, with agreement in place from all authorities, to apply jointly for pilot status. The opportunity to work together as a pool across a functional economic area will allow authorities to make coherent strategic decisions about the wider area and to jointly manage risk and reward.
- 6.11** The Gloucestershire Chief Financial Officers have met and discussed the modelling of how a pilot scheme may work across Gloucestershire. Whilst the modelling suggests there are potential financial gains from becoming a pilot, the Gloucestershire Chief Financial Officers need to balance these gains against the risks.
- 6.12** Unlike the 2017/18 pilots, the 2018/19 pilots programme is seeking to remove the 'no detriment' clause. This in effect means that Gloucestershire authorities would need to 'forego' guaranteed Revenue Support Grant and Rural Services Delivery Grant for an uplift in its baseline funding targets, but in return would take on all of the risk on business rates appeals which is currently shared with Central Government.
- 6.13** The deadline for submitting a bid to become a pilot is 27th October 2017. The Gloucestershire Chief Financial Officers are undertaking further modelling and sensitivity analysis around appeals exposure and risk in order to determine whether Gloucestershire should put itself forward. Given the volatility and numbers involved, it is anticipated that a further Full Council meeting will need to be arranged to ensure the appropriate permissions are in place.
- 6.14** However, should Gloucestershire determine to submit a bid with a 'no detriment' clause, it is proposed that the existing delegations outlined in 6.2 above will stand on the basis that Cheltenham will be no worse off in proceeding with a bid to become a pilot for 100% business rates retention in 2018/19.

7. Budget Scrutiny Working Group

- 7.1** The cross party Budget Scrutiny Working Group will continue to support the budget process by:
- Considering options for closing the funding gap i.e. proposals for charging or reduction in expenditure
 - Reviewing the work programme for commissioning and options being considered
 - Developing members' scrutiny skills and understanding of financial matters
 - Developing the approach to budget consultation.
- 7.2** This strategy report will be considered by this Group on 12th October 2017 and both the Cabinet Member for Finance and the Section 151 Officer are keen that this Group should play a significant part in developing and supporting the budget process.

8. Budget Setting Process 2018/19 – key stages

8.1 In approaching the budget setting process for 2018/19, the Cabinet will endeavour to adhere to some well-established principles designed to deliver budget proposals in a timely manner following proper process, including:

- Early and clear direction input from Cabinet and the Executive Board.
- Ensuring that Financial Services (GOSS) maintain a strong role in moderating the process.
- Chief Finance Officer (Section 151 Officer) to lead and advise on strategic budget issues.
- Agreeing Cheltenham Borough Homes (CBH) management fee and Housing Revenue Account (HRA) budget as early as possible.
- Maintaining good communications between Chief Executive, Executive Board, Council Leader, Cabinet Member for Finance and Section 151 Officer over budget progress / issues.
- Ensuring consultation with all stakeholders and ensure that employees are aware.
- Including the Overview and Scrutiny Committee and the Budget Scrutiny Working Group in the budget process.

8.2 The proposed key stages in the process for setting the budget for 2018/19 are summarised in the timetable at Appendix 2 and are detailed below. The timing of events may change as the process develops.

Publication of budget timetable

8.3 The Cabinet will publicise a budget timetable by including this in its Forward Plan and via other media.

Budget preparation

8.4 Between October and November 2017, the Cabinet Member for Finance and officers will work with the Cabinet towards the creation of 'interim budget' proposals which will make the following assumptions:

- The projection will be for a standstill budget, prepared under a general philosophy of no growth in levels of service. Inflation for contractual and health and safety purposes will only be allowed where proven at the appropriate inflation rate.
- The Chancellor has previously announced that public sector pay increases will be capped at 1%, and whilst pay awards in local government are covered by collective bargaining between employers and trade unions and is not subject to direct control from central government, it is not unreasonable to assume that the local government employers will mirror what happens in the rest of the public sector. However, reports suggest that the Government is proposing to scrap the 1% cap on pay rises for public sector workers as part of the Autumn Statement. For interim budget modelling, a 1% has been assumed with a contingency held in general balances for an amount equivalent to a further 1%.
- The current MTFS only assumes inflation on fees and charges at an average rate of 2% annually over the 4 year period for green waste, burial and cremation fees. These increases will be assumed in the preparation of the standstill budget and any deviation from this will form part of the interim budget proposals.
- The vast majority of fees and charges are generated within the Regulatory and Environmental Services Division and a target of £50,000 per annum is set within the existing approved strategy for more targeted reviews of income generation, as opposed to a blanket increase across the board to reflect market forces.
- The impact of prevailing interest rates on the investment portfolio will be assessed in preparing the budget. The Treasury Management Panel will consider the position in respect of treasury

management activity during the budget setting cycle.

- An assessment of the charges to be made to Cheltenham Borough Homes and the Housing Revenue Account will be incorporated in the budget proposals, including assessing the impact on the General Fund of the changes to the housing subsidy system.
- A council tax increase of 2.54% (equivalent to £5.00 a year for a Band D taxpayer) has been used for modelling purposes.
- Proposals for service growth will be included, though only for invest to save schemes.

Publication of initial budget proposals

- 8.5** The Cabinet will present its initial budget proposals and publish them for consultation in line with the advertised plan. The initial budget proposals will include all general fund revenue, capital and housing revenue account estimates to meet a balanced budget, together with assumptions made on future council tax and rent levels.

Budget Consultation

- 8.6** As a result of the extensive budget consultation exercise carried out in 2010, a residents' focus group was formed which has met annually since to consider budget proposals. It is the Cabinet's intention for this group to meet again this year. In addition to the formal budget consultation, some targeted consultation around specific issues may be undertaken.
- 8.7** The formal budget consultation period will be no less than four weeks and will take place during December 2017 to January 2018. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period all interested parties will be welcome to provide feedback on the initial budget proposals. Groups, businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals at this time. They will be asked to identify, as far as possible, how alternative proposals complement the Council's business plan and community plan, how they will be financed, and how they will help the Council to achieve best value. Presentations will be made to key business groups as part of the consultation process.
- 8.8** The Budget Scrutiny Working Group and Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for January 2018 and feed any comments back to the Cabinet.
- 8.9** Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to consider their full implications and to be built into the budget. Accordingly, if alternative budget proposals are to come forward, this should happen as early as possible.
- 8.10** All comments relating to the initial budget proposals should be returned to the Chief Finance Officer by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Consultation questionnaires will be available in key locations and for completion on line via the Council's website. Comments can be e-mailed to money matters@cheltenham.gov.uk.

Assessment of alternative Budget Proposals

- 8.11** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Chief Finance Officer (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is identified.

- 8.12** Given the financial pressures and the potentially very difficult decisions which will have to be made, it is very important that there is time for members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

Final Budget Proposals and Council Approval

- 8.13** At the end of the consultation period, the Cabinet will draw up firm budget proposals having regard to the responses received. In drawing together its budget proposals to Council the report will reflect the comments made by consultees and the Cabinet's response. The firm budget proposals will be presented to Council at the budget setting meeting for decision in February 2018.

9. Housing Revenue Account

- 9.1** Draft proposals for the Housing Revenue Account will also form part of the same process for considering the General Fund revenue and capital budgets.
- 9.2** A number of significant changes in Housing policy were announced by the Government in 2015 including a four year programme of social rent reduction to March 2020. As a consequence Cheltenham Borough Homes undertook a comprehensive review of the HRA Business Plan financial forecasts to inform proposals to mitigate the impact of reduced income during that period.

The review was guided by the following minimum targets:-

- Maintaining the recommended contingent balance of £1.5m in HRA reserves;
 - Allocating sufficient resources to maintain the decent homes standard throughout the stock
 - Delivering the windows and doors replacement programme at a pace consistent with value for money;
 - Ensuring resources continue to be available to deliver the existing new build programme;
 - Ensuring the continuation of key service improvements initiated by the 3 year investment pot programme;
 - Seeking to protect existing service levels and mitigating the impact on tenants and leaseholders;
 - Retaining long term viability;
- 9.3** The 2017/18 HRA budget was based on year 2 of the four year plan, which proposed efficiency targets for management and maintenance costs, a realignment of the capital programme and the use of HRA reserves above the contingency level. Significant progress has already been made in delivering the plan (targets exceeded to date) with CBH confident of driving further efficiencies over and above original targets throughout the remainder of the four year plan.
- 9.4** The financial projections contained in the HRA Business Plan will be updated to reflect :
- Progress in achieving service efficiencies;
 - Updated need to spend on stock investment and maintenance;

- Progress in the new build programme
- The impact of further changes in Government policy, particularly an imminent announcement on future rent policy post April 2020

9.5 The revised projections will be available to inform decisions on the level of management and maintenance and capital investment in 2018/19 (to include fees payable to Cheltenham Borough Homes and administrative charges from Council Divisions).

10. Reasons for recommendations

10.1 The Council is required to agree a budget process and timetable.

11. Alternative options considered

11.1 The process for considering alternative budgets is set out above.

12. Consultation and feedback

12.1 The consultation process is described fully above. In view of the size of the challenge the Council faces in setting the 2018/19 budget, consultation has already commenced with trade unions.

13. Performance management – monitoring and review

13.1 The delivery of savings and additional income proposed as part of the budget will be monitored through the Bridging the Gap programme which meets monthly and is shared with the Cabinet Member for Finance.

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Budget timetable
Background information	<ol style="list-style-type: none"> 1. Core spending power projections 2016/17 – 2019/20

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 close 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	01/09/2010	5	4	20	Reduce	The budget strategy projection includes 'targets' for work streams to close the funding gap which aligns with the council's corporate priorities.	Ongoing	Chief Finance Officer	01/09/2010
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	Chief Finance Officer	01/04/2016	4	3	12	Reduce	The MTFS is clear about the need to bolster reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2018/19 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.	Ongoing	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	Chief Finance Officer	14/09/12	4	3	12	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by	Ongoing	Chief Finance Officer	

	the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.							the Council. The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool. Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.			
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	15/12/10	3	3	9	Reduce	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	Chief Finance Officer	
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	Chief Finance Officer	15/12/10	3	3	9	Reduce	As part of the delivery of the BtG / commissioning programmes a clear communication strategy is in place.	Ongoing	Communications team to support the BTG programme	

	clearly articulates why it is making changes to service delivery then there may be confusion as to what services are being provided and customer satisfaction may decrease.							In adopting a commissioning culture the council is basing decisions on customer outcomes which should address satisfaction levels.			
1.05	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	Head of Paid Service	15/12/10	3	3	9	Reduce	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	13/12/10	4	4	16	Reduce	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. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.	Ongoing	Chief Finance Officer	
108	If the government's technical consultation on the 2018/19 Local Government Finance	Chief Finance Officer	20/09/17	5	3	15	Reduce	The response to the government's consultation will be submitted by 26 th	26/10/17	Chief Finance Officer	

	Settlement leads further reforms to the New Homes Bonus calculation then this could have an estimated negative financial impact of between £0.5m and £0.8m, impact on the planning process affecting the ability to approve new developments in a timely manner and impact on the council's ability to deliver core frontline services.							October 2017 outlining our concerns to any further changes to the system.			
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