

# **Cheltenham Borough Council**

**Cabinet – 6 November 2018**

## **Budget strategy and process 2019/20**

<b>Accountable member</b>	<b>Cabinet Member for Finance, Councillor Rowena Hay</b>
<b>Accountable officer</b>	<b>Executive Director Finance and Assets (Section 151 Officer), Paul Jones</b>
<b>Accountable scrutiny committee</b>	<b>Budget Scrutiny working group</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<b>The purpose of this report is to propose a broad strategy and outline a process for setting the budget and council tax for 2019/20. It outlines a number of principles that need to be established at this stage to enable budget preparation to commence.</b>
<b>1. Recommendations</b>	<b>That Cabinet:</b>  <b>1. Approves the budget setting timetable at Appendix 2.</b>  <b>2. Approves the budget strategy outlined in section 5.</b>  <b>3. Notes the estimated funding gap of £2.096m in 2019/20 and the large amount of work done so far to close this gap.</b>  <b>4. Notes the intention for this Council to remain in the Gloucestershire Business Rates Pool in 2019/20 as outlined in section 6 and to note that Gloucestershire has applied to the Government to pilot 75% Business Rates Retention in 2019/20.</b>  <b>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 2019/20 as outlined in section 7.</b>

<b>Financial implications</b>	<p>This report sets out the budgetary process for 2019/20 and the general financial parameters under which the budget will be prepared.</p> <p><b>Contact officer: Paul Jones, <a href="mailto:paul.jones@cheltenham.gov.uk">paul.jones@cheltenham.gov.uk</a>, 01242 264365</b></p>
<b>Legal implications</b>	<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><b>Contact officer: Peter Lewis, <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a>, 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<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><b>Contact officer: Julie McCarthy, <a href="mailto:julie.mccarthy@tewkesbury.gov.uk">julie.mccarthy@tewkesbury.gov.uk</a>, 01242 264355</b></p>
<b>Key risks</b>	<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>
<b>Corporate and community plan Implications</b>	<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>
<b>Environmental and climate change implications</b>	<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 2019/20.
- 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 2019/20:
- 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, whom have worked up alternative budget proposals, should be validated by Publica Group (Support Services) Ltd, in time for the budget meeting in February 2019.
  - Members aim to set Cheltenham Borough Council's budget and council tax at the Full Council budget meeting.

## **3. Settlement Funding Assessment**

- 3.1** In 2016/17, the government offered a guaranteed 4 year budget to every council, which could demonstrate efficiency savings. 2019/20 represents the final year of the 4 year offer. The principles of that settlement allowed 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 were noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.
- 3.2** On 24<sup>th</sup> July 2018, the government released a technical consultation on the local government finance settlement for 2019/20 to which this Council made a formal response. The headlines from that consultation were:
- Confirmation of the 4 year offer as set out in 2016/17;
  - Under the council tax referendum principles, the flexibility to increase council tax by the greater of up to 3% or £5 based on a Band D property;
  - A proposal to remove negative Revenue Support Grant (RSG) in full via the governments share of business rates receipts;
  - Proposals to increase the baseline target for New Homes Bonus (NHB) which is currently 0.4%;
  - An invitation to bid for a pilot programme for 75% business rates retention for 2019/20.
- 3.3** The Council's Medium Term Financial Strategy (MTFS) is already predicated on the basis that council tax will increase by 2.99% per annum. The removal of negative RSG would equate to an increase in funding of c. £390k in 2019/20.
- 3.4** However an increase in the baseline target for NHB could negate this benefit. An increase to 0.6% would reduce our funding by c. £100k whereas an increase to 0.8% would equate to a reduction of c. £200k and effectively mean no additional NHB is received in 2019/20 despite the fact that Cheltenham delivered an additional 368 new homes for occupation over the last 12 months.

- 3.5 The 75% business rates retention pilot is explained in further detail in section 6.

#### **4. Medium Term Financial Strategy (MTFS) and 2019/20 projected funding gap**

- 4.1 The Medium Term Financial Plan 2018 – 2022, approved by Council in February 2018, projected a funding gap for the period 2018/19 to 2021/22 of £3.299m. 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 are in the process of being 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 estimate of the funding gap for 2019/20, based on the previous iteration of the MTFS was £2.096m.
- 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 As in the previous year, given the current uncertainty surrounding business rates retention, new homes bonus and the Ubico contract sum, it is prudent to defer the full publication of the MTFS to the Cabinet meeting in December 2018 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 net costs via a commercial mind-set. 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 commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.
- 5.3 The commercial strategy was adopted by Full Council in February 2018 with the vision "*to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22*".
- 5.4 Part of our drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.
- 5.5 In February 2018, the following aspirational targets were proposed by the Cabinet with a recognition that they would require further refinement during 2018:

- To deliver a minimum of £0.7m of new revenue income by the 31st March 2020.
- To reduce back office costs by 5% by 31st March 2022.
- To develop and deliver commercial skills development to Council staff commencing in 2018 which will support this ambitious cultural change.
- To make significant efficiencies in the way we manage our buildings and reduce cost or increase output by over 5% by 31st March 2022.
- To deliver £2m of capital receipts by 2020.

- 5.6** Under the instruction of the Cabinet, the adoption of the car parking strategy, development of a new crematoria, and the acquisitions of 4 new commercial investment properties (Ellenborough House, Sainsbury's, Café Nero and 53-57 Rodney Road) has already resulted in us over-achieving our new revenue income target. In addition, our Public Realm investment across the Town has enabled us to attract major new businesses such as John Lewis and Partners and Urban Outfitters which has a positive effect on both business rates income and the vibrancy across the Town.
- 5.7** Our Executive Director People and Change already has ambitious plans to take the modernisation programme forward and is working closely with the Executive Director Finance and Assets to deliver on the commercial skills development programme for council staff in early 2019.
- 5.8** The property services team are working on an energy plan to make significant efficiencies in the way we manage our buildings. In addition, they have been tasked with ensuring our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts (where appropriate) and stimulates growth and investment in the Borough.
- 5.9** 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. We have instructed our Managing Director Place and Growth, working closely with Cheltenham Borough Homes, to deliver on the recently announced £100m investment in Housing across the Borough. This investment will deliver an additional 500 homes across the Borough which matches the needs of our residents. This investment will also provide a commercial return in addition to capital appreciation.
- 5.10** Through our Chief Executive, we have also endorsed resources being geared towards supporting and delivering the growth agenda including major developments in North West and West Cheltenham.
- 5.11** The starting point for constructing the 2019/20 budget has been a projected funding gap of £2.096m.
- 5.12** 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 efficiencies, carried out by the Cabinet and the Executive Leadership Team. This work has already made significant progress towards bridging the gap, having identified at this early stage potential efficiency savings and additional income of £1.2m.
- 5.13** It is the Cabinet's intention to meet the shortfall in funding in 2019/20 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 efficiencies required to become financially sustainable by financial year 2021/22.
- 5.14** Clearly work remains to be done towards building a robust base budget for 2019/20 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 efficiencies should continue up to the publication of the draft budget proposals and beyond.

## **Council tax**

- 5.15** 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 3 per cent for all local authorities, as in 2018/19. However, shire districts will be allowed increases of up to and including £5, or up to 3 per cent, whichever is higher.

## **Service growth.**

- 5.16** 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.
- 6.4** 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 significantly above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.
- 6.5** 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 2019/20 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements. For information, Cheltenham's additional share of the pool surplus in 2017/18 was £475,341.
- 6.6** 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 announced its continuation for piloting business rates retention with a new pilot programme for 75% business rates retention in 2019/20.
- 6.7** Members will recall that Gloucestershire's bid was successful to pilot 100% business rates retention in 2018/19 and indications announced at the time were that this was worth circa £9.2m to Gloucestershire as a whole.
- 6.8** Under the current pilot arrangement, 100% of growth is shared locally, with 30% going to the District's, 50% to the County Council and 20% to the Strategic Economic Development Fund. Current projections suggest that the overall pilot gain in 2018/19 is now circa £14m. After allowing for the creation of a £1.4m 'risk reserve', the benefit to Cheltenham Borough Council is estimated to be circa £640k and Council approved that this would be ring-fenced to fund one-off economic growth initiatives specific to Cheltenham. As the pilot does not form part of the settlement funding assessment for Cheltenham Borough Council and was only for one year, this additional income

has not been built into future base budget estimates.

- 6.9** The Ministry of Housing, Communities and Local Government (MHCLG) issued a technical consultation paper on 24<sup>th</sup> July 2018 on the 2019/20 Local Government Finance Settlement. This included information on business rates pilots for 2019/20.
- 6.10** The existing 100% business rates pilot will end on 31<sup>st</sup> March 2019. Gloucestershire, alongside all other authorities in England, can make an application to MHCLG to pilot 75% business rates retention in 2019/20. Any proposal for a pilot must have been received by MHCLG no later than 25<sup>th</sup> September 2018.
- 6.11** The main change from the 100% pilot is that the local share will reduce from 100% to 75%, largely because the national scheme from 2020/21 will operate with a 75% share, but also because the cost of the pilot programme has become significant (£920m+).
- 6.12** An important change to the 75% pilot scheme is that there will not be a “no detriment” clause. Under the existing pilot, this has ensured that Gloucestershire is no worse-off than the individual authorities would have been in aggregate under the 50% scheme.
- 6.13** The criteria for becoming a pilot, as outlined in the invitation prospectus, is shown below:
- Proposed pooling arrangements operate across a functional economic area;
  - Proposal demonstrates how pooled income from growth will be used across the pilot areas to either boost further growth, promote financial sustainability or a combination of these;
  - Proposal sets out robust governance arrangements for strategic decision making around the management of risk and reward and outlines how these support the participating authorities’ proposed pooling arrangements.
- 6.14** The Gloucestershire Chief Financial Officers met on several occasions and discussed the modelling of how a pilot scheme may work across Gloucestershire. Whilst the modelling supports potential financial gains of circa £7m from becoming a pilot, the Gloucestershire Chief Financial Officers needed to balance these gains against the risks such as claims from NHS Foundation Trusts for mandatory charitable relief on business rates.
- 6.15** Given that 2019/20 represents the final year of the current 4 year settlement, significant growth has been achieved across the pool since business rates retention commenced in 2013/14. Detailed modelling acknowledges the significant financial risk that the NHS appeal creates, but also acknowledges that this Council could not mitigate this risk by being outside the pool or pilot. The modelling actually acknowledges that there would be a greater financial risk to the council if it were to leave the existing pool.
- 6.16** Following the advice of the Gloucestershire Chief Financial Officers, Leadership Gloucestershire submitted a bid on 25<sup>th</sup> September 2018 with the following criteria:
- Full agreement by all 7 councils to be designated a pool for 2019/20 (in accordance with Part 9 of Schedule 7B to the Local Government Finance Act 1988). We have agreed arrangements on how to pool the additional business rates income and sign-off by each authority’s Section 151 officer.
  - An agreed proposal as to how the additional growth should be split. This provides for;
    - **20%** to an already established Strategic Economic Development Fund (set up under the existing pooling arrangements)
    - **30%** to the 6 District Councils and
    - **50%** for the County Council

- Each authority will use its funding for financial resilience/sustainability and growth initiatives specific to its area. Given that the pilot is being presented as a 'one off for 2019/20 only', individual authorities will be careful not to build in longer term financial commitments.
- We acknowledge that we forgo Revenue Support Grant and Rural Services Grant funding for the period of the pilot i.e. the financial year 2019/20.

**6.17** 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 75% business rates retention in 2019/20.

## **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 addressing the funding gap
- 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 13th November 2018 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 2019/20 – key stages**

**8.1** In approaching the budget setting process for 2019/20, 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 maintain a strong role in moderating the process.
- Executive Director Finance and Assets (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 Leadership Team, Council Leader, and Cabinet Member for Finance 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 2019/20 are summarised in the timetable at Appendix 2 and are detailed below. The timing of events may change as the process develops.

### **Budget preparation**

**8.3** Between October and November 2019, 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.

- Budgeted for employee pay inflation and an increase in members allowances of 2% for 2019/20
- 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 Place and Growth 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 benefit subsidy system.
- A council tax increase of 2.99% has been used for modelling purposes.
- Proposals for service growth will be included, where supported.

#### **Publication of initial budget proposals**

- 8.4** 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**

- 8.5** The formal budget consultation period will be no less than four weeks and will take place during December 2018 to January 2019. 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.
- 8.6** 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 2019 and feed any comments back to the Cabinet.
- 8.7** 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.
- 8.8** All comments relating to the initial budget proposals should be returned to the Executive Director Finance and Assets 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 [moneymatters@cheltenham.gov.uk](mailto:moneymatters@cheltenham.gov.uk).

### **Assessment of alternative Budget Proposals**

- 8.9** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Executive Director Finance and Assets (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is identified.
- 8.10** 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**

- 8.11** 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 2019.

## **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 2018/19 HRA budget was based on year 3 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 the recent announcement that the HRA cap is to be abolished.

**9.5** The revised projections will be available to inform decisions on the level of management and maintenance and capital investment in 2019/20 (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..

## **13. Performance management – monitoring and review**

**13.1** The delivery of efficiencies and additional income proposed as part of the budget will be monitored by the Executive Leadership Team monthly and will be shared with the Cabinet Member for Finance.

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<b>Appendices</b>	1. Risk Assessment 2. Budget timetable
<b>Background information</b>	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	3	15	Reduce	The budget strategy projection includes 'targets' for work streams to close the funding gap which aligns with the council's corporate priorities.	Ongoing	ED Finance and Assets	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	ED Finance and Assets	01/04/2016	4	3	12	Reduce	The MTFS is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2019/20 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	ED Finance and Assets	
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	ED Finance and Assets	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	ED Finance and Assets	

	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 / pilot.  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.	ED Finance and Assets	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	ED Finance and Assets	
1.07	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be	ED Finance and Assets	13/12/10	5	3	15	Reduce	Work with Publica and county wide CFO's to monitor changes to local government financing regime including responding	Ongoing	ED Finance and Assets	

	incorrect, then there is likely to be increased volatility around future funding streams.							to government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.			
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