

Cheltenham Borough Council

Cabinet – 12th February 2019

Council – 18th February 2019

General Fund Revenue and Capital – Revised Budget 2018/19, and Final Budget Proposals 2019/20

Accountable member	Cabinet Member for Finance, Councillor Rowena Hay
Accountable officer	Executive Director Finance and Assets (Section 151 Officer), Paul Jones
Accountable scrutiny committee	Overview and Scrutiny Committee and Budget Scrutiny Working Group
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the revised budget for 2018/19 and the Cabinet's final budget proposals and pay policy statement for 2019/20.
Recommendations	<p>Cabinet / Council</p> <ol style="list-style-type: none">1. Approve the revised budget for 2018/19.2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £209.08 for the year 2019/20 (an increase of 2.99% or £6.07 a year for a Band D property), as detailed in paragraphs 4.18 to 4.23.4. Approve the growth proposals, including one off initiatives at Appendix 4.5. Approve the savings / additional income totalling £1,677,600 and the budget strategy at Appendix 5.6. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 6.7. Note that the Council will remain in the Gloucestershire business rates pool for 2019/20 (paragraphs 4.5 to 4.17).8. Approve the recommendations made by the Independent Remuneration Panel (IRP), as detailed in paragraph 5.14.9. Approve the Pay Policy Statement for 2019/20, including the continued payment of a living wage supplement at Appendix 9.

10. Approve the Medium Term Financial Strategy (MTFS) detailed in Section 5 and Appendix 10.

11. Approve a level of supplementary estimate of £100,000 for 2019/20 as outlined in Section 13.

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Paul Jones, Executive Director Finance and Assets.</p> <p>E-mail: paul.jones@cheltenham.gov.uk</p> <p>Tel no: 01242 264365</p>
Legal implications	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>Members are not generally regarded as having a personal or prejudicial interest in the setting of the council budget and council tax. However, any member who is in arrears of council tax needs to give careful consideration to the provisions of section 106 of the Local Government Finance Act 1992. This states that if any arrears remain unpaid for at least two months then the member must disclose this at the beginning of the meeting, which is to consider the council tax calculation and shall not vote on the matter. It is a criminal offence to disregard this requirement. Any member likely to be in such a position should seek advice as quickly as possible from the Monitoring Officer.</p> <p>There is a legal requirement under the Local Government Finance Act 1992, sections 31A and 42A to set a balanced budget. The budget proposals includes budgets for expenditure and income and uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure in accordance with the Medium Term Financial Strategy.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements. The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above specific levels and this has been taken in to account in recommending a 2.99% increase as set out in the report.</p> <p>Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@tewkesbury.gov.uk</p> <p>Tel no: 01684 272012</p>

HR implications (including learning and organisational development)	<p>Relationships with the two recognised trade unions continue to remain very positive. The Executive Leadership Team and the HR team will continue to work closely with TU colleagues in order to ensure that any potential impacts on employees as a result of realisation of budget savings are kept to a minimum.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@publicagroup.uk</p> <p>Tel no: 01242 264355</p>
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.
Environmental and climate change implications	The final budget contains a number of proposals for improving the local environment, as set out in this report.

The Council takes its statutory duties to promote equality of opportunity seriously. The 2010 Equality Act sets out that we must have due regard to the need to advance equality of opportunity between people who share a protected characteristic and those who do not. The groups that share a protected characteristic include those defined by age, ethnicity, disability, religion or belief and sexual orientation

The Cabinet Member Finance and Executive Director Finance and Assets have been mindful of this statutory duty in how the budget proposals have been prepared. The community and equality impacts of the various budget proposals are as follows:

Budget Proposal (excerpt from appendix 5)	Potential community and equality impacts and any mitigating actions
1. Place and Economic Development	
Transformation of Regulatory and Environmental Services delivery	Ensuring that the human resource processes that area used to enable any staff restructuring are compliant with equality legislation
Review of fees & charges and income generation opportunities	None identified at this stage; the individual proposals for revising fees and charges will be subject to separate equality impact assessments to ensure that particular groups are not disadvantaged.
Car parking strategy – volume / price analysis	An equality impact assessment was carried out on the car parking strategy as this was included in the papers that went to cabinet on 13 June 2017.
Environmental services efficiencies	Ensuring that the human resource processes that area used to enable any staff restructuring are compliant with equality legislation
2. People and Change	
Revenues and Benefits restructure	Ensuring that the human resource processes that area used to enable any staff restructuring are compliant with equality legislation
L&C Review - trust savings deferral	The equality and community impacts of the work to establish the Cheltenham Trust were set out in report to cabinet on 12 December 2012; the report identified that the agreed outcomes recognise the groups where participation is potentially lowest. This is being monitored through quarterly review meetings
Publica Savings	None identified as part of this report

3. Finance and Assets	
Investment portfolio income generation	None identified
Local council tax support scheme	An equality impact assessment was carried out on the new local council tax support scheme and this was included in the papers that went to council on 10 December 2018.
LGPS up-front payment discount	None identified
Municipal offices - Letting of surplus office accommodation space	None identified
4. Use of Reserves	
Use of Budget Strategy (Support) Reserve	None identified

1. Background

- 1.1** In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2019. The consultation took place between the period 19th December 2018 to 25th January 2019 and this report sets out the final proposals for 2019/20.
- 1.2** The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, more than 75% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.
- 1.3** In December 2018 the Cabinet proposed a net budget requirement for consultation totalling £14.666m and was based on a 2.99% (£6.07 for Band D property) Council Tax increase.
- 1.4** Since the draft budget proposals were published, additional pressures have been identified which have been captured within the growth proposals in Appendix 4.
- 1.5** The final financial settlement was announced on 29th January 2019 which resulted in some changes to the assumptions used in the interim budget proposals that were presented at the Cabinet meeting held on 18th December 2018. The most significant changes and announcements proposed in the settlement were:
- The announcement that Gloucestershire was not successful in its application to pilot 75% Business Rates Retention (BRR) in 2019/20;
 - No changes in the way that the New Homes Bonus (NHB) is calculated and the baseline target will remain at 0.4%. This equates to an additional £228,797 NHB in 2019/20;
 - The distribution of £180m business rates retention levy pro-rata to the 2013/14 Settlement Funding Assessment. This equates to an additional £42,893 in 2019/20;
 - An upward adjustment to the 2017/18 tariff for business rates revaluation which resulted in a reduction in retained business rates of £81k;
 - Fair Funding Review and Retained Business Rates consultations on new funding methodology from 2020/21 which closes on 21st February 2019;
 - Confirmation to the removal of 'negative Revenue Support Grant (RSG)' in 2019/20.
- 1.6** The additional pressures outlined in Appendix 4 have been funded by the additional funding, which will result in a revised net budget requirement of £14.831m as detailed in Appendix 3.

2. Budget Assessment of the Section 151 Officer

- 2.1 Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on HRA to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.
- 2.2 The Section 151 Officer is satisfied that the proposed budget for 2019/20 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2019/20. The full assessment is attached at Appendix 2.

3. 2018/19 Budget Monitoring to December 2018

- 3.1 The budget monitoring report to the end of December 2018, also considered by Cabinet on 12th February 2019, indicates that despite a number of variances to the budget it still anticipates the delivery of services within budget in 2018/19.

4. Settlement Funding Assessment

- 4.1 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.
- 4.2 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 1.4% in 2019/20 which is significantly less than expected due to the removal of negative RSG.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	1.273	0.544	0.102	0.000
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.600	2.653	2.733	2.796
Settlement Funding Assessment	3.873	3.197	2.835	2.796
Actual cash (decrease) over previous year	(0.816)	(0.676)	(0.362)	(0.039)
% cash cut	(17.4%)	(17.5%)	(11.3%)	(1.4%)

- 4.3 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.

- 4.4** As detailed within the Medium Term Financial Strategy (MTFS) at Appendix 10, a technical consultation paper on the funding mechanism for Local Government finance from 2020/21 (the Fair Funding Review) was launched through the provisional settlement with a closing date of 21st February 2019. In addition, there is a further consultation paper on business rates retention with the same closing date. Officers will work with colleagues within Gloucestershire to ensure a robust response is put forward on behalf of this Council.

Business Rates Retention (BRR)

- 4.5** 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.
- 4.6** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 4.7** 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.
- 4.8** 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 Tewkesbury Road, 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'.
- 4.9** 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.
- 4.10** 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.
- 4.11** 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.
- 4.12** The existing 100% business rates pilot will end on 31st March 2019. Gloucestershire, alongside all other authorities in England, were invited to make an application to the Ministry of Housing, Communities and Local Government (MHCLG) to pilot 75% business rates retention in 2019/20, and a bid was submitted ahead of the closing date of 25th September 2018.
- 4.13** The provisional financial settlement announced on 13th December 2018 (and ratified by the final settlement announced on 29th January 2019), confirmed that Gloucestershire was not successful in its application to pilot in 2019/20 but it has been confirmed as having pool status, which will result in a reduced levy being payable. The Government were committed to providing opportunities for new pilots to be established in 2019/20 which included Northamptonshire, Somerset, Worcestershire and Buckinghamshire.

4.14 One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the MHCLG. The NNDR1 return was submitted to the MHCLG by the deadline of 31st January 2019 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and it is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position is £1.6m. However, due to large reductions made by the Valuation Office (VO) in the rateable values of supermarket ATM's (which are backdated several years) and other rateable value changes, deficit adjustments need to be made from previous years to the value of £105,170.

	2018/19 Original 100% system £	2018/19 Revised 100% system £	2019/20 Original 50% system £
Retained business rates	27,178,478	26,957,989	21,993,793
Tariff payable to government	(23,875,005)	(23,875,005)	(18,936,362)
Grant to compensate for government decisions	1,474,787	1,599,062	1,651,218
Estimated levy payable to government after Pool surplus	-	-	(311,468)
Net retained business rates	4,778,260	4,682,036	4,397,181
Less Baseline Funding (target level of net retained rates)	(2,835,551)	(2,835,551)	(2,795,889)
Net surplus on business rates against baseline funding	1,942,709	1,846,495	1,601,292
Deficit adjustment re 2016/17	(235,484)	(235,484)	-
Deficit adjustment re 2017/18	(510,226)	(510,227)	73,117
Deficit adjustment re 2018/19	-	220,489	(178,287)
One-off adjustments re previous years' deficits	(745,710)	(525,222)	(105,170)
Net retained business rates (after one-off deficit adjustments)	4,032,550	4,156,814	4,292,011
Transfer to BRR earmarked reserve	(633,457)	(633,457)	-
Net retained business rates	3,399,093	3,523,357	4,292,011

4.15 The move to local business rates retention still appears to be a positive one, but local authorities have faced a series of obstacles in trying to make it a success. The Government's desire is to make sure that the system is fair and that there is a balance between incentives and managing risks, and is being addressed through the current consultation.

- 4.16** A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates may be repayable back to the 2010/11 financial year, which reduces the business rates yield in the year in which the refund is made. The Council has made provision for its share of the cost of outstanding appeals in its financial statements. The level of provision has been reviewed as part of the preparation of the business rates estimates for 2019/20.
- 4.17** Local authorities have been inundated with various regulation updates but we are still struggling to get access to critical information, such as the likely outcome of appeals against business rates. Large appeals and RV reductions from other public sector organisations could also undermine local government's ability to make business rates retention a success.

Council Tax

- 4.18** 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.
- 4.19** CPI inflation was 2.1% in December 2018, which is above the Monetary Policy Committee's (MPC) 2% target. With increased pressure to deliver services with reducing government support, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 4.20** The tax base has increased by 2.16% in 2019/20 which has significantly exceeded the target of 0.8%. This increase comes from additional properties completed in the past year, the adoption of the empty homes premium and changes to the council tax support scheme (0.55%).
- 4.21** With this in mind, the Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.
- 4.22** The uncertainty surrounding the future of New Homes Bonus, the fair funding review and the reset in the business rates post 2020 which represents a significant proportion of our income, places a greater reliance on council tax as our main source of income.
- 4.23** Therefore, the Cabinet is proposing a 2.99% increase in council tax in 2019/20; an increase of £6.07 for the year for a Band D property.

Collection Fund

- 4.24** In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund surplus for 2018/19 is £110,500 which will be credited to the General Fund in 2019/20. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates.

5. The Cabinet's general approach to the 2019/20 budget

- 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 council has a sizeable funding gap to resolve as well as a number of financial risks to manage. Given the ambitious nature of the council and its desire to ensure Cheltenham is a

place where people wish to work, visit and live the budget strategy for the medium term must reflect these aspirations and not jeopardise these core priorities.

- 5.3** The key building blocks for the executive team structure of Place and Growth; People and Change; and Finance and Assets, together with a planned and proactive approach to the use of reserves, are the key drivers for delivering the budget strategy as detailed within the Medium Term Financial Strategy (MTFS) at Appendix 10.
- 5.4** The budget strategy looks inwards at service transformation and modernisation, outwards at economic growth and investment, and relies heavily on collective ownership and oversight. The Council has an ambition to become more commercial in order to move towards a greater level of financial self-sufficiency. This will require a change at strategic level that will affect the whole organisation, taking into account the tight geography of the Borough, the pace of change desired and the high level of senior leadership buy-in required.
- 5.5** 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.
- 5.6** 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”.
- 5.7** 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.
- 5.8** The MTFS indicates broadly how the Council will close the projected funding gap over the period 2019/20 to 2022/23. In future years, it includes targets rather than necessarily specific worked up projections of cost savings and additional income to allow the Executive leads autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs. Holding adequate information upon which to base the allocation of scarce resources is essential to address under-met needs.
- 5.9** The Cabinet’s interim budget proposals for 2019/20, approved at a meeting on 18th December 2018, included an estimate of £2.019m for the 2019/20 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available.
- 5.10** The final assessment of the budget gap for 2019/20, based on the detailed budget preparation and the final local government financial settlement is £1.934m.
- 5.11** 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 identified efficiency savings and additional income of £1.678m as detailed in Appendix 5.
- 5.12** 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.

5.13 In preparing the interim budget proposals, the Cabinet and officers have considered the following:

- Prepared a budget projection under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. The list of proposals for growth, including one off initiatives, is included in Appendix 4.
- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
- Budgeted for pay inflation at 2% for 2019/20.
- Budgeted for an increase in Members allowances of 2% for 2019/20.
- Budgeted for superannuation increases in accordance with the triennial review 2016 for the financial year 2019/20.
- Increased income budgets for the Cemetery and Crematorium, assuming an average increase in fees and charges of 2%.
- Increased garden waste charges by £3 whilst retaining the prompt payment discount at £3 per bin for households renewing their subscription ahead of their annual renewal date.
- All other fees and charges, including car parking charges, are subject to annual review by the Regulatory and Environmental Services management team. A target of £50k per annum has been established as part of the budget strategy approved to deliver a balanced budget.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

Members Allowances

5.14 In view of the fact that Members did not raise any issues to bring to the attention of the Independent Remuneration Panel (IRP) as part of the scheme for 2019/20, agreement was received in December 2018 from Paul Johnstone, Chair of the IRP that we would adopt the following approach:

- That the Basic Allowance payable to all Councillors is increased from April 2019 by an % equal to the proposed increase to staff relating to 2019/20 (i.e. 2 %).
- That the level of all Special Responsibility Allowances (SRA) be increased by the same %.
- That the allowances for Mayor and Deputy Mayor are increased by the same %.
- That Council is to note that the next full review will start in September 2019.

6. Treasury Management

6.1 Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.

6.2 Investment interest rates will probably remain very low in the medium term until there is more

economic certainty following Brexit. Returns from traditional fixed term cash deposits are minimal so growth has been achieved through alternative investment sources such as investment in property assets and multi-asset funds which include exposure to the bond and equity markets.

7. Reserves

- 7.1** Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to comment upon “the robustness of the estimates and the adequacy of the reserves for which the budget provides”. This assessment is included within Appendix 2.
- 7.2** The Cabinet is proactive in strengthening reserves when appropriate and necessary through the use of underspends and one-off income. It is therefore recommended that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.
- 7.3** A projection of the level of reserves to be held at 31st March 2019 and 31st March 2020 respectively is detailed in Appendix 6.

8. Capital Programme

- 8.1** The proposed capital programme for the period 2018/19 to 2020/21 is at Appendix 7.
- 8.2** The strategy for the use of the council's capital resources is led by our corporate priorities. The existing programme includes sums for infrastructure investment to be funded from capital receipts and the purchase of new vehicles through Ubico. It also includes the allocations agreed by the Council in April 2015 to facilitate the redevelopment to the Town Hall and the Crematorium, and an earmarked contribution to public realm works within the Town Centre.
- 8.3** In addition the capital programme sets aside an allocation for enhancing our property portfolio with the aims of delivering economic growth and regeneration.

9. Property Maintenance Programmes

- 9.1** The budget proposals include the 2019/20 property maintenance programme, which has been reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £470k to planned maintenance and £130k to reactive repairs, as detailed in Appendix 8.

10. Pay Policy Statement

- 10.1** Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.
- 10.2** The Pay Policy attached at Appendix 9 includes the following key requirements of the Localism Act 2011:
- policy on pay for each of the ‘in scope’ Officers;
 - policy on the relationship between Chief Officers and other Officers;
 - policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

11. Reasons for recommendations

11.1 As outlined in the report.

12. Consultation and feedback

12.1 The formal budget consultation on the detailed interim budget proposals took place over the period 19th December 2018 to 25th January 2019. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's Business Plan and Community Plan and how they can be financed.

12.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 7th January 2019 and comments have been fed back to the Cabinet.

13. Supplementary Estimates

13.1 Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2019/20 to be met from the General Reserve, the same level as in 2018/19.

14. Alternative budget proposals

14.1 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 changes are properly captured.

14.2 It is also 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.

15. Final budget proposals and Council approval

15.1 The Cabinet has presented firm budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.

15.2 If it accepts the recommendation of the Cabinet, without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.

15.3 An in-principle decision will automatically become effective 5 working days from the date of the Council's decision, unless the Leader informs the Executive Director Finance and Assets in

writing within 5 working days that he objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.

15.4 In that case, another Council meeting will be called within 7 working days of the date of appeal when the Council will be required to re-consider its decision and the Leader’s written submission. The Council may (i) approve the Cabinet’s recommendation by a simple majority of votes cast at the meeting or (ii) approve a different decision which does not accord with the recommendation of the Cabinet by a majority. The decision will then become effective immediately.

16. Performance management – monitoring and review

16.1 The Executive Leadership Team hold regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.

16.2 The delivery of the savings workstreams included in the final budget proposals, if approved by full Council, will be monitored by the Budget Scrutiny Working Group.

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<p>Appendices</p>	<ol style="list-style-type: none"> 1. Risk Assessment 2. Section 151 Officer budget assessment 3. Summary net budget requirement 4. Growth 5. Savings / additional income 6. Projection of reserves 7. Capital programme 8. Programmed Maintenance programme 9. Pay Policy Statement 10. Medium Term Financial Strategy (MTFS)

Background information	<ol style="list-style-type: none">1. Budget strategy and process report 2019/20 (Cabinet 6th November 2018)2. General Fund Revenue and Capital – Interim Budget Proposals 2019/20 (Cabinet 18th December 2018)3. Budget Monitoring Report 2018/19 position as at December 2018 (Cabinet 12th February 2019) <p>https://www.gov.uk/government/consultations/review-of-local-authorities-relative-needs-and-resources</p> <p>https://www.gov.uk/government/consultations/business-rates-retention-reform</p> <p>https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2019-to-2020-written-statement</p> <p>https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2019-to-2020</p>
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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
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 Strategy (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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