



## **Notice of a meeting of Cabinet**

**Tuesday, 21 December 2021  
6.00 pm  
Council Chamber - Municipal Offices**

<b>Membership</b>	
<b>Councillors:</b>	Rowena Hay, Peter Jeffries, Victoria Atherstone, Flo Clucas, Mike Collins, Iain Dobie, Martin Horwood, Andrew McKinlay and Max Wilkinson

## **Agenda**

<b>9.</b>		<b>INTERIM BUDGET PROPOSALS FOR GENERAL FUND</b> Report of the Cabinet Member Finance and Assets	(Pages 3 - 28)
<b>10.</b>		<b>INTERIM BUDGET PROPOSALS FOR HRA</b> Report of the Cabinet Member Finance and Assets	(Pages 29 - 54)

**Contact Officer:** Harry Mayo, Democracy Officer, 01242 264211  
**Email:** [democratic.services@cheltenham.gov.uk](mailto:democratic.services@cheltenham.gov.uk)

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## Cheltenham Borough Council

**Cabinet – 21 December 2021**

### **General Fund Revenue and Capital - Interim Budget Proposals 2022/23 for Consultation**

<b>Accountable member</b>	<b>Cabinet Member for Finance and Assets, Councillor Peter Jeffries</b>
<b>Accountable officer</b>	<b>Gemma Bell, Head of Property, Finance and Assets (Deputy s151 Officer)</b>
<b>Accountable scrutiny committee</b>	<b>Overview and Scrutiny Committee and Budget Scrutiny Working Group</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>This report sets out the Cabinet's interim budget proposals for 2022/23 for consultation. The assumptions within the interim budget proposals are based on the local government provisional finance settlement for 2022/23 which was released by the Department for Levelling Up, Housing and Communities (DLUHC) on 16 December 2021.</p> <p>The Council have faced unprecedented financial challenges over the last 18 months in providing the resources and support to manage the response to the Covid-19 pandemic. This is in addition to the ten years of austerity and year on year cuts to the Council's Government funding.</p> <p>The national restrictions which have been in place, either across the country or locally here in Cheltenham have created a huge amount of financial uncertainty. With the emergence of the Omicron variant, the uncertainty continues to impact customer behaviour which may have further financial impact on our commercial income and on the town's economy. What is clear is that the recovery of our town from the pandemic has only just begun.</p> <p>The budget proposals aim to utilise our assets, skills and infrastructure to enable inclusive and environmentally sustainable growth in the Borough whilst providing a mechanism to ensure the Council has the revenue resources to continue to lead the recovery from Covid-19.</p> <p>The council's ambition to make Cheltenham the cyber capital of the UK is critical to ensuring that the council achieves financial sustainability and was addressed as part of the Covid-19 recovery revised budget 2020/21, agreed by Full Council on 16 November 2020. The recommendations within this report aim to ensure a balanced budget is delivered in 2022/23, that sufficient revenue resources are transferred to reserves to provide a cushion to combat longer term uncertainty and that appropriate resources continue to be directed towards our key priorities.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. Approve the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council. The proposed Council tax for 2022/23 represents an increase of 2.28% or £5.00 a year for a</b></li> </ol>

**Band D property. Note the detailed schedule of target savings at Appendix 3.**

- 2. Approve the proposed capital programme at Appendix 5, as outlined in Section 8.**
- 3. Delegate authority to the Executive Director Finance and Assets, in consultation with the Cabinet Member for Finance and Assets, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for public consultation which will include any changes arising from the provisional settlement.**
- 4. Seek consultation responses by 26 January 2022**

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Gemma Bell</b></p> <p><b>E-mail: <a href="mailto:gemma.bell@cheltenham.gov.uk">gemma.bell@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264124</b></p>
<b>Legal implications</b>	<p>Under the Constitution Cabinet has responsibility for the preparation and consultation on the Council's budget. The final budget will be subject to consideration and approval by Full Council in February.</p> <p>The Council must set a budget in accordance with provisions of the Local Government Finance Act 1992. The Council has a statutory responsibility to set and approve a balanced budget each year. Section 25 of the Local Government Act 2003 require that the Council, in setting its budget, must have regard to the report of its Section 151 Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of its proposed financial reserves.</p> <p><b>Contact officer: One Legal</b></p> <p><b>E-mail: <a href="mailto:legalservices@onelegal.org.uk">legalservices@onelegal.org.uk</a></b></p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<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 impact on employees as a result of realisation of budget savings are kept to a minimum.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: <a href="mailto:julie.mccarthy@publicagroup.uk">julie.mccarthy@publicagroup.uk</a></b></p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	As outlined in Appendix 1
<b>Corporate and community plan Implications</b>	The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Plan whilst recognising the financial pressures caused by the response and recovery from the COVID-19 pandemic.
<b>Environmental and climate change implications</b>	The draft budget contains a number of proposals for improving the local environment, as set out in this report.
<b>Property/Asset Implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Gemma Bell</b></p> <p><b>E-mail: <a href="mailto:gemma.bell@cheltenham.gov.uk">gemma.bell@cheltenham.gov.uk</a></b></p> <p><b>Tel no: 01242 264124</b></p>

## 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 2022. This report sets out the interim proposals for 2022/23.
- 1.2** In 2016/17, the government offered a guaranteed four year budget to every Council, which could demonstrate efficiency savings and 2019/20 represented the final year of the four 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. Since then, only one year settlements have been provided to Local Authorities which has made long term financial planning very difficult. Since 2016/17, there has been a shift away from freezing council tax to using council tax to generate additional funding.
- 1.3** The Budget and Spending Review 2021 was announced by the Chancellor on 27 October 2021. The key headlines from the announcement were:
- The announcement was expected to cover three years from 2022/23 to 2024/25 which provides more certainty to support longer term financial planning.
  - An indication that additional grant funding will be available and is expected to be front-loaded, with growth in grant funding of £1.5bn in 2022/23, and no further general increases in funding in either 2023/24 or 2024/25.
  - Council tax thresholds to remain at similar levels to recent years, with the threshold for "core" council tax increases remaining at 1.99% (shire district councils will be able to increase Band D by the higher of 1.99% or £5) and the adult social care precept by a further 1%.
  - There were no announcement about local government funding reforms (Fair Funding Review or business rates changes).
  - No reference was made to the New Homes Bonus which made up £747k of our funding in 2021/22.
  - No reference was made to the business rates baseline reset or any of the other business rates reforms. Given that pilots will be continuing until 2024-25, this suggests that the baseline reset will also be delayed.
  - No new funding has been announced for any additional COVID-19 pressures in local government.

## 2. Settlement Funding Assessment

- 2.1** The assumptions within the interim budget proposals is based on the local government provisional finance settlement for 2022/23, which was released by DLUHC on 16 December 2021.
- 2.2** The headlines from the local government provisional finance settlement for 2022/23 were:
- The announcement of a three year settlement has now been reduced to one year only for 2022/23.
  - Priority in the settlement is "stability in the immediate term", with a more fundamental review of local government funding starting in 2022.
  - Overall Core Spending Power (CSP) increases by over 4% in real terms (£3.5bn cash), including funding for social care reform and cap compensation.
  - The 2022/23 settlement rolls forward many aspects of the current year's settlement.

- There is another additional New Homes Bonus payment (Year 12, £407,267), on top of the final “legacy” payment of £230,579.
- A continuation of the Lower Tier Services Grant (LTSG) which ensures that no authority will have a reduction in Core Spending Power in 2022/23. Cheltenham will receive £127,459 in 2022/23.
- A new one-off 2022/23 Services Grant has been created to fund general responsibilities (2013/14 SFA is used to distribute funding). Cheltenham will receive £195,881 in 2022/23. Government have made it clear that this is a one-off grant in 2022/23 and will not be included in the baseline that is used for transitional support (damping) in 2023/24:
- The council tax referendum thresholds for Cheltenham remain unchanged.
- Of the £1.5bn made available, £70m will be used to apply inflation to Revenue Support Grant (RSG), £636m for additional social care grants, and £822m for the new Services Grant
- Funding for the social care reforms (£162m in 2022/23) will use the existing Adult Relative Needs Formulae (RNF), and is for the Fair Pricing reforms (more detail is provided in the social care written statement).
- Compensation for under-indexing the multiplier (which will be frozen in 2022/23) is based on the Consumer Price Index (CPI) but will use Retail Price Index (RPI) in the final settlement (which will result in about £225m additional funding).

**2.3** Ministers will be re-starting the local government funding reforms in the spring 2022. This means that the Fair Funding Review and business rates baseline reset are both going to be under consideration again, for possible implementation in 2023/24. This increases the urgency of the re-alignment of our budgets to ensure any changes to our baseline funding for next year can be managed more effectively.

### **Retained Business Rates**

- 2.4** 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.
- 2.5** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 2.6** 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.
- 2.7** The anticipated level of business rates due to this Council in 2022/23 is above our target level of funding and in line with the Government requirements of the Pool; we will still be required to pay a levy on the amount we raise above this level.
- 2.8** The post-pandemic economic recovery of the town is being monitored closely by the Leadership team and has been supported by the targeted use of the business support grant funding provided by the Government through the pandemic. The focused funding of specific sectors and provision of financial support has enabled businesses to adapt the way they operate through national restrictions and mitigate the long-term economic impact of the pandemic on the town.
- 2.9** The resilience of these businesses, and the opening and anticipated opening of new retail, entertainment and hospitality offerings in the later part of 2021/22 and into 2022/23 have all contributed to expected levels of business rate funding above our baseline funding target.
- 2.10** 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 2022/23 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements.

### **Council Tax**

- 2.11** 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 in 2022/23. However, shire districts will be allowed increases of up to and including £5, or up to 1.99 per cent, whichever is higher.
- 2.12** With increased pressures caused by the pandemic and the recent increase in inflation and other operational costs, it continues to be difficult to deliver current levels of services when government support does not cover all additional costs we expect to incur. To this end, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 2.13** The tax base has increased by 1.0% in 2021/22 against the target increase of 0.8%. This increase primarily arises from a reduction in claimants of LCTS in the past six months and again indicates that our communities and our economy are beginning to recover from the pandemic.
- 2.14** 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.
- 2.15** The uncertainty surrounding the timing of the fair funding review, business rates and the indications that any new increases in funding in 2022/23 will stay static for the three year settlement period continues to place significant reliance on council tax as our main source of income.
- 2.16** Therefore, at this stage the Cabinet is proposing a 2.28% increase in council tax in 2022/23; an increase of £5.00 for the year for a Band D property.

### **Collection Fund**

- 2.17** Under normal circumstances, collection fund surpluses arise from higher than anticipated rates of collection of council tax (for example due to additional new build properties becoming chargeable). At this point in time, it is anticipated that there will be a surplus on the collection fund in 2021/22, primarily arising from an increase in the tax base compared to that estimated in setting the budget in February 2021. Surpluses and deficits are normally shared out between the Council, County and Police and Crime Commissioner in the following year.
- 2.18** A deficit on the Collection Fund was reported in 2020/21 and the Government announcement in July 2020, in response to the financial pressures faced by Local Authorities as a result of the pandemic, confirmed that the repayment of any deficits could be spread over three years.
- 2.19** As a result, the council's share of the deficit of £27k for 2020/21 will be spread over three years: £9k in 2021/22, 2022/23 and 2023/24. However, in 2022/23 the Council will also receive a share of the estimated surplus for 2021/22 of £71k and a share of the difference between the estimated and actual deficit for 2020/21 of £4k, resulting in a net surplus of £58k. Again, evidence supporting the economic recovery of our town post pandemic as new businesses open and empty premises become occupied again.

## **3. The Cabinet's budget strategy**

- 3.1** The Council have faced unprecedented financial challenges over the last 18 months in providing the resources and support to manage the response to the Covid-19 pandemic. This is in addition to the ten years of austerity and year on year cuts to the Council's Government funding.
- 3.2** The national restrictions which have been in place, across the country or locally here in



Cheltenham, have created a huge amount of financial uncertainty. With the emergence of the Omicron variant, the uncertainty continues to impact customer behaviour which may have further financial impact on our commercial income and on the town's economy.

- 3.3** Changes to customer behaviour and the way our services are accessed has changed with no certainty as to whether this will be permanent or temporary and what this means for how we fund and operate our services. It also means we need to continue investing in technology, in particular the digital platform to meet the changing requirements of our residents and service users.
- 3.4** Since its adoption in 2018 the key mechanism driving our response to funding challenges has been the commercial strategy. This has driven an innovative and enterprising mind-set and we have adapted to generate income in different ways to support our general fund budget and deliver against our Corporate Priorities.
- 3.5** Recovery from the pandemic and re-opening of the town has meant the contribution of some of these initiatives are providing to the general fund may now be permanently lower than we had assumed in previous budgets. The budget monitoring report presented to Cabinet in October 2021 reported a forecast net overspend against the budget of £1,044,000 for 2021/22. The most significant variance from budget was from income generated from off-street car parking which is much lower than previous years as commuters move towards more of a hybrid working from home model.
- 3.6** The 2022/23 budget provides an opportunity to reset our baseline position against our Corporate Priorities and prepare a Medium Term Financial Strategy for 2022/23 and beyond which ensures we continue to be financially sustainable whilst continuing to support economic recovery and growth and our climate change ambitions for the town.
- 3.7** 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 our finite resources is essential to address under-met needs. The detailed schedule of target savings is provided within Appendix 3.
- 3.8** These proposals also take into account the recommendation made by Grant Thornton in the 2020/21 Audit Findings Report to review our Minimum Revenue Provision ("MRP") policy and a recent Government consultation which states that any future changes will not be applied retrospectively. The arrangements for 2021/22 and 2022/23 are being considered but it is not expected that any changes will impact on the delivery of services or savings in this budget proposal.
- 3.9** In preparing the interim budget proposals, the Cabinet and officers have considered the following:
- 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 2022/23, with an additional 1% held in contingency;
  - Budgeted for an increase in Members allowances in line with the assumptions on pay inflation outlined above;
  - The provision of support and services to assist our communities, businesses and residents response and recover from the pandemic;
  - An inflationary increase in sales, fees and charges where market conditions dictate;
  - Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

## **4. The economic context for 2022/23**

- 4.1** The 2022/23 draft budget proposal has been set based on a set off assumptions about the

economic outlook for the next 18 months. Inflation currently sits at 4.2%, the highest level in nearly 40 years, with further uncertainty about whether this will increase further through 2022/23.

- 4.2** From April 2022, the rate of National Insurance contributions employers pay will increase by 1.25%, which adds additional pressure to the staffing costs of the Council. Additionally, the rising price of oil and gas has increased the running cost of our buildings and there is a possibility of significant increases when the current energy contract expires in April 2022.
- 4.3** These economic factors place unprecedented pressures on our budget at a time when we are already facing uncertainty around our funding and the long-term impact of the pandemic on our financial position. Not only do we need to ensure there is sufficient capacity to meet these direct costs for the Council, but we also need to meet the increased costs of our partnership contracts to maintain the sustainable delivery of key services.
- 4.4** Our waste and recycling contract with Ubico in particular is facing increasing fuel costs and the demand for services as our residents increase the volume of waste they are recycling. In addition to the increase in National Insurance, there is also a need to increase the salary cost of the HGV drivers to be more comparable with competitors in the market and ensure they are able to continue to recruit.
- 4.5** The starting point for re-setting the 2022/23 budget is the projected budget gap from the October 2021 monitoring report and taking account the additional pressures expected through 2021/22 and 2022/23 including increases in energy costs, the national pay award and rising inflation.
- 4.6** Closing a gap of this size is a huge challenge for the Council, but the challenge is being met by a proactive approach to reviewing the prioritisation of our resources and 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 which are moving into a delivery phase.
- 4.7** The proposals within these budget papers aim to utilise our assets, skills and infrastructure to shape and improve public services and enable inclusive and environmentally sustainable economic growth in the Borough whilst providing a mechanism to ensure the Council has the revenue resources to continue to lead the recovery from Covid-19.

## **5. Re-setting for Green and Sustainable Recovery**

- 5.1** Cheltenham Borough Council (CBC) was one of, if not the first council to publish a Recovery Strategy in 2020. That early publication and consultation enabled the Council to clearly signal recovery aims and objectives. The economy was, and continues to be in a difficult position nationally and responding dynamically will be key to supporting the rest of the town to recover.
- 5.2** The Recovery Strategy is informed by existing corporate plans so aligns with the Council's established vision of place and longer term priorities. That the Council was able to take the Corporate Plan and adapt it to respond to the Covid-19 crisis shows organisational flexibility and the ability to re-orientate focus and resources in light of emerging situations.
- 5.3** The 2021/22 budget included a number of growth items as a direct response to the Recovery Strategy; providing revenue funding for climate change, economic recovery and the introduction of an apprenticeship programme. Additionally, in November 2020 Council committed £1.5m additional resources to the Golden Valley development to continue to work towards our vision to be the Cyber Capital of the UK.
- 5.4** The 2022/23 budget recognises that a green, sustainable and inclusive path to economic growth and recovery is not a strategy for the short term. Our long-term strategic commitments need long term financial planning.

- 5.5** This budget seeks to reduce our reliance on commercial income streams, which may not support our corporate priorities, and create a new baseline from which investment decisions can be made to support the recovery of our town from the most significant and wide reaching economic and healthcare crisis of a generation. Although we have not included any new growth items in the 2022/23 budget, we have looked differently on how we are utilising the resources at our disposal to increase the impact we can have to drive change and deliver on our Corporate Priorities.

### **Carbon neutrality**

- 5.6** CBC's stated ambition to be net carbon zero by 2030 is a credible and commendable plan and in 2021/22 the Council invested in the creation of a permanent central team to monitor and manage the carbon reduction programme for the Borough as a whole.
- 5.7** One of the most significant achievements of this team to date was a successful bid to the Public Sector Decarbonisation Scheme (PSDS) for £382,600 of capital funding to support key projects. This capital budget now supplements the existing £350,000 of CBC funding already earmarked to support the implementation of the Climate Change Strategy in 2022/23.
- 5.8** The most uncertain financial pressure experienced in 2021/22 as we continue to monitor the recovery from the Covid-19 pandemic is the reduction in the income we are generating from our car parks. In 2019/20 we generated £4.388m from off-street car parking fees which was a significant contributor to the funding of our commitments.
- 5.9** Car parking activity has been closely monitored through 2021/22 as the national restrictions have been eased and there is a notable change in behaviour with fewer commuters travelling into the town during the week. In 2019/20 the average income generated each month from car parking was £370k which comfortably exceeded our budget target. At the date of this report, we are estimating in 2022/23 this will fall to £300k a month. Further uncertainty is also expected in the final quarter of the year with the emergence of the Omicron variant.
- 5.10** Although not a direct investment in carbon neutrality, the Cabinet feel a budgetary commitment to reducing reliance on vehicles which impacts on air quality and the environment of the town centre demonstrates the commitment to the climate emergency pledge made in 2019.
- 5.11** In addition to this, Cabinet have also included a new proposal in the capital programme for £75k to support a pilot scheme for electric vehicle (EV) off-street charging points. This proposal is a response to the Cabinet's commitment to improving air quality in the town and, together with the County Council provision of on-street EV charging points, responds to the increasing use of electric vehicles by visitors and residents of Cheltenham.
- 5.12** The decision by the Cabinet to re-align our budget to reduce our reliance on income from vehicles means a number of other efficiencies and income-generating activities need to be made to balance our budget. In considering these, the Cabinet have kept our net carbon zero target in the front of mind.
- 5.13** The following changes have been proposed to our base budget to re-align resources and deliver a budget which reflects our climate ambitions:
- Further commitment to use the investment fund from 2020/21 to finance initiatives which have a positive impact on the environment;
  - A base budget re-set of car parking income budgets to reduce the Council's reliance on income generated from vehicles;
  - The publication of a £10m climate investment strategy;
  - A reduction in energy usage in Council owned buildings;
  - A reduction in the allowances for using cars to promote greener modes of transport; and
  - A realignment of recycling income and expenditure budgets to meet the increased demand

as residents recycle more waste.

### **Inclusive and Sustainable Economic Growth and Development**

- 5.14** Despite the financial uncertainty caused by the pandemic over the last 18 months, the Council has continued to demonstrate its commitment to make Cheltenham a place where everyone can thrive. In the 2020/21 outturn report presented to Full Council in July 2021, we committed £250k to a Green Economic Recovery and Investment Fund.
- 5.15** It has been proposed that this funds work to improve the greening of the Clarence Fountain, the hosting of the Ice Rink in Imperial Gardens and to improve toilet provision in the town. These initiatives were identified to support the economic recovery of the town – stimulating the visitor economy and improving the environment for everyone to enjoy.
- 5.16** The Council has also continued with the procurement to find a development partner to realise its flagship ambition to make Cheltenham the Cyber Capital of the UK. Creating a national centre of excellence for the cyber sector and wider tech industries that will be an engine-room for long-term inclusive growth for Cheltenham. Council approval of £1.5m additional resource to the Golden Valley Development in November 2020 further cemented our commitment to this key priority.
- 5.17** There were two base budget increases approved in 2021/22 which also continue to support inclusive growth:
- Council approved the commitment of £75k to the base budget to fund a cohort of five apprentices who commenced employment in September 2021. These individuals have been recruited across different services and have begun their work based learning and qualifications.
  - Council also approved a base budget increase of £75k to fund dedicated resource to encourage collaboration across sectors to ensure that culture, hospitality and creativity is interweaved into our economic recovery plans particularly in enhancing our cyber investment plans, supporting the creative revitalisation of the High Street, and the imaginative use of our open spaces.
- 5.18** The recovery from the pandemic is certainly not complete and continues to be a key priority for the Cabinet. Our recovery strategy is focused on the revitalising and reshaping the economy and ensuring that future growth benefits all our communities. The Council aims to encourage collaboration across sectors to ensure that culture, hospitality and creativity is interweaved into our economic recovery plans particularly in enhancing our cyber investment plans, supporting the creative revitalisation of the town centre, and the imaginative use of our open spaces.
- 5.19** The opportunity to re-set our budget to meet the needs of the town post pandemic has identified a number of efficiencies and income generating activities which can support sustainable and inclusive growth and economic development.
- 5.20** The following changes have been proposed to our base budget to re-align resources and deliver a budget which benefits all our communities:
- A review of the current functions for Destination Marketing and Management to ensure we are driving maximum benefit for the town from our commercial and non-commercial partnerships; and
  - A review of the resources which can be shared by the Council and Cheltenham Borough Homes to bring Council owned sites forward for development.

## **6. Treasury Management**

- 6.1 Appendix 2 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 6.2 The Bank of England unexpectedly raised interest rates in December 2021, for the first time in three years amid growing concerns over inflation, despite the rapid spread of the coronavirus Omicron variant. The Monetary Policy Committee (MPC) voted by a majority of eight to one to raise rates from the historic low of 0.1% to 0.25%, judging that pressure on households from surging living costs outweighed the risks to the economy from the new variant.
- 6.3 As at 30 September 2021, the Council held loans of £157.139m, a reduction since March 2021 by reducing the amount of temporary borrowing and using cash investments earning very little interest to fund capital spend.
- 6.4 This approach of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, reduces our risk of budgetary pressures caused by significant increases in interest rates.
- 6.5 We also invest to generate returns which support the costs of discretionary services such as leisure and culture. It is critical to get the right balance between social, environmental and financial factors when assessing the investments we make. Full Council noted in November 2021 that our exposure to gas and oil investments currently stands at £280k.
- 6.6 This is part of the Schroder Income Fund and makes up 4% of the £7m we have invested in Pooled Funds. Given our current climate priorities, assurance was provided to Council that we are looking to take steps to ensure our investments are contributing to these goals.
- 6.7 We are committed in the longer term to divesting from oil and gas but need to balance these priorities with ensuring we are making the right financial decisions to safeguard our residents, businesses and communities.
- 6.8 We will continue to closely monitor the performance of this fund and when it is financially prudent to do so, will consider the climate implications of how we invest this money in the future. This will be covered in the 2022/23 Treasury Management Strategy, which will be published in the spring.

## 7. Reserves

- 7.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This review forms part of the formal budget setting report to be presented to Council in February 2022. A projection of the level of reserves to be held at 31 March 2022 and 31 March 2023 respectively is detailed in Appendix 4.
- 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 or capital projects.

## 8. Capital Programme

- 8.1 The interim capital programme for the period 2021/22 to 2023/24 is set out at Appendix 5.
- 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 to provide an earmarked contribution to public realm works within the Town Centre.

- 8.3** In re-setting the 2022/23 budget, the Cabinet have considered new proposals for electric vehicle charging points and public realm which align to the focus on green and sustainable economic investment in Cheltenham. These reflect the Cabinet's view that CBC are an enabler for economic recovery, making sustainable and financially secure investments to provide benefits for our businesses, residents and communities.
- 8.4** During the 2022/23 financial year, other projects and schemes may come to light which require investment by the Council. These proposals will be considered by the Cabinet and approval will be requested through the relevant channels in line with the Council's Budget and Policy Framework Rules.

## **9. Property Maintenance Programme**

- 9.1** The interim budget proposals include the 2022/23 property maintenance programme, which will be reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £600k to planned maintenance, as detailed in Appendix 6.

## **10. Reasons for recommendations**

- 10.1** As outlined in the report.

## **11. Alternative options considered**

- 11.1** The Cabinet has considered many alternatives in arriving at the interim budget proposals. Opposition groups will be able to suggest alternative budget proposals for consideration by Council in February 2022.

## **12. Consultation and feedback**

- 12.1** The formal budget consultation on the detailed interim budget proposals will be over the period 22 December 2021 to 26 January 2022. 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, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Recovery Strategy and Corporate Plan and how they can be financed. 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 2022 and any comments will be fed back to the Cabinet.
- 12.2** 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 allow consideration of their full implications and to enable them to be built into the budget.
- 12.3** All comments relating to the initial budget proposals should be returned to the Head of Property, Finance and Assets (Deputy Section 151 Officer) by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Comments can be e-mailed to [moneymatters@cheltenham.gov.uk](mailto:moneymatters@cheltenham.gov.uk).
- 12.4** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Head of Property, Finance and Assets (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is captured.
- 12.5** Given the financial pressures and the potentially very difficult decisions which will have to be made, it is 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.

## 13. Performance management – monitoring and review

- 13.1** The scale of future budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from the delivery of services to the delivery of savings. There are 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. It is intended that this will be evidenced further in the publication of the MTFS in February 2022.
- 13.2** The delivery of the savings work streams included in the interim budget proposals, if approved by full Council will be monitored by the Budget Scrutiny Working Group.

<b>Report author</b>	<p><b>Gemma Bell, Head of Property, Finance and Assets (Deputy s151 Officer)</b></p> <p><b>Tel. 01242 264124;</b></p> <p><b>e-mail address <a href="mailto:gemma.bell@cheltenham.gov.uk">gemma.bell@cheltenham.gov.uk</a></b></p>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Summary net budget requirement</li> <li>3. Budget Savings / Additional Income</li> <li>4. Projection of reserves</li> <li>5. Capital programme</li> <li>6. Programmed Maintenance programme</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. Covid-19 recovery revised budget 2020/21 report to Council 16 November 2020.</li> <li>2. 2021/22 Final Budget Proposal report to Council 16 February 2021</li> <li>3. The provisional local government finance settlement for 2022/23:  <a href="https://questions-statements.parliament.uk/written-statements/detail/2021-12-16/hcws510">https://questions-statements.parliament.uk/written-statements/detail/2021-12-16/hcws510</a>   <a href="https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2022-to-2023">https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2022-to-2023</a> </li> </ol>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
CR3	If the Council is unable to come up with long term solutions which 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 Section 151 Officer in the council's Medium Term Financial Strategy	ED Finance and Assets	01/04/2016	5	4	20	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 2020/21 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	01/04/2016
1.02	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the	ED Finance and Assets	14/09/12	5	4	20	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates	Ongoing	ED Finance and Assets	14/09/12



	loss of major business and the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.							<p>revenues retained by the Council.</p> <p>The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot.</p> <p>Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.</p>			
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	4	4	16	Reduce	<p>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.</p>	Ongoing	ED Finance and Assets	15/12/10
1.07	If the assumptions around government support, business rates income, impact of changes to council tax	ED Finance and Assets	13/12/10	5	3	15	Reduce	Work with Publica and countywide CFO's to monitor changes to local government financing	Ongoing	ED Finance and Assets	13/12/10

	discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.							regime including responding 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.			
New corporate risk	If government support to compensate this Council for the impact of COVID-19 is insufficient, greater reliance will be placed on the use of reserves, service reduction and asset sales.	ED Finance and Assets		5	3	15	Reduce	<p>The Council will continue to lobby for additional resource, as promised by Central Government from the outset of the pandemic.</p> <p>Work programmes are underway to review service provision, capital programmes and rationalisation of assets.</p>	Ongoing	ED Finance and Assets	To be added to the risk register

## Appendix 2 - Net Budget Requirement

## NET GENERAL FUND DRAFT BUDGET 2021/22 &amp; 2022/23

<b>GROUP</b>	<b>2021/22 ORIGINAL £</b>	<b>2021/22 REVISED £</b>	<b>2022/23 ORIGINAL £</b>
<b>Projected cost of 'standstill' level of service</b>			
Chief Executives Directorate	1,651,279	1,650,879	2,112,979
Finance & Assets Directorate	8,599,928	7,892,838	8,686,873
People & Change Directorate	3,914,209	4,156,330	4,080,728
Place & Growth Directorate	6,122,430	7,871,630	7,319,276
	<b>20,287,846</b>	<b>21,571,677</b>	<b>22,199,856</b>
Capital Charges	(4,540,218)	(4,540,218)	(4,540,218)
Interest and Investment Income	(2,404,260)	(2,384,310)	(2,394,310)
Use of balances and reserves	(13,379,819)	(8,905,850)	(4,410,907)
Savings / Additional income identified - Appendix 3	(400,000)		(1,507,000)
Growth (self funding)*	246,000		
Transfer to/from General Balances	543,573	(289,158)	194,666
Use of Budget Strategy Support reserve			
<b>NET BUDGET</b>	<b>353,122</b>	<b>5,452,141</b>	<b>9,542,087</b>
<b>Deduct:</b>			
National Non-Domestic Rate	(2,608,539)	(2,368,559)	(123,386)
National Non-Domestic Rate - 2019/20 surplus / deficit	128,170	128,170	
National Non-Domestic Rate - 2020/21 surplus / deficit	13,966,426	13,966,426	361,769
National Non-Domestic Rate - 2021/22 surplus / deficit			4,988,761
National Non-Domestic Rates - S31 Grants	(1,417,489)	(6,756,488)	(4,019,140)
New Homes Bonus	(747,091)	(747,091)	(637,846)
LCTS S31 Grant	(163,000)	(163,000)	0
S31 Grants - Lower Tier Services Grant	(121,000)	(121,000)	(127,459)
Service Grant			(195,881)
Local Tax Income Guarantee Scheme Government Grant			
Collection Fund Surplus/deficit Contribution	23,400	23,400	(58,500)
	<b>9,060,877</b>	<b>3,961,858</b>	<b>188,318</b>
<b>NET SPEND FUNDED BY COUNCIL TAX</b>	<b>9,413,999</b>	<b>9,413,999</b>	<b>9,730,405</b>
Band 'D' Tax	£219.08	£219.08	£224.08
Increase per annum			£5.00
Increase per week			£0.10
% Rise			2.28%
Gross Collectable Tax Base	43,404.60	43,404.60	43,862.42
Collection Rate %	99.00%	99.00%	99.00%
Net tax base	42,970.60	42,970.60	43,423.80

\* £246,000 growth items are within each directorate for the revised budget

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### Appendix 3 - Budget Efficiencies and Savings

Description	2022/23 £	Delivery Risk
Re-alignment of resourcing with Corporate Priorities	175,000	Amber
Reduction in the Cheltenham Trust management fee	100,000	Green
Maximise opportunities to strengthen CBC-CBH partnership	300,000	Amber
Review of the trade waste service	120,000	Amber
Value for money review of our planned maintenance and reactive repairs contracts	125,000	Green
Review of the commercial viability of pest control service	50,000	Green
Efficiency review of the Household Recycling Centre	87,000	Amber
Marketing and destination - service redesign	50,000	Green
Modernisation Programme Saving 2022/23	100,000	Green
Existing Investment portfolio income generation	150,000	Amber
Energy usage review across asset portfolio	100,000	Amber
Commercial income generation opportunities	50,000	Amber
New Housing supply - mark-up on borrowing / equity	50,000	Green
Treasury Management activity	50,000	Green
<b>Total</b>	<b>1,507,000</b>	

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Appendix 4 - Reserve Statement 2021/22 & 2022/23

		<u>1st April</u> <u>2021</u> £	<u>2021/22</u> <u>Movement</u> <u>Revenue</u> £	<u>2021/22</u> <u>Movement</u> <u>Capital</u> £	<u>Proposals</u> <u>to support</u> <u>2021/22 Budget</u>	<u>31st March</u> <u>2022</u> £	<u>2022/23</u> <u>Movement</u> <u>Revenue</u> £	<u>2022/23</u> <u>Movement</u> <u>Capital</u> £	<u>31st March</u> <u>2023</u> £
<b><u>EARMARKED RESERVES</u></b>									
	<b><u>Other</u></b>								
RES002	Pension & Restructuring Reserve	(292,328)	37,968			(254,360)	37,968		(216,392)
RES003	Economic Development & Tourism Reserve	(4,200)				(4,200)			(4,200)
RES006	Cultural Development Reserve	0				0			0
RES008	House Survey Reserve	(5,616)				(5,616)			(5,616)
RES009	Twinning Reserve	(8,366)				(8,366)			(8,366)
	To fund future flood resilience work, delegated to the Flood working group for allocation	0				0			0
RES010	Flood Alleviation Reserve								
RES014	GF Insurance Reserve	(77,106)				(77,106)			(77,106)
RES016	Joint Core Strategy Reserve	(127,780)				(127,780)			(127,780)
RES018	Civic Pride Reserve	0				0			0
RES020	Ubico Reserve	(54,000)				(54,000)			(54,000)
RES022	Homelessness Reserve	(41,100)				(41,100)			(41,100)
RES023	Transport Green Initiatives Reserve	(33,825)				(33,825)			(33,825)
RES024	New Initiatives reserve	(336,623)				(336,623)			(336,623)
RES025	Budget Strategy (Support) Reserve	(227,411)	(293,000)			(520,411)	(627,000)		(1,147,411)
RES026	Social Housing Marketing Assessment (SHMA) Reserve	(39,034)	(2,500)			(41,534)	(2,500)		(44,034)
RES028	Green Economic Recovery and Investment Funding Reserve	(250,000)				(250,000)			(250,000)
		<b>(1,497,389)</b>				<b>(1,754,921)</b>			<b>(2,346,453)</b>
	<b><u>Repairs &amp; Renewals Reserves</u></b>								
RES201	Commuted Maintenance Reserve	(60,863)	12,172			(48,691)	12,172		(36,519)
RES204	I.T. Repairs & Renewals Reserve	(117,200)	(50,000)			(167,200)	(50,000)		(217,200)
RES206	Delta Place Reserve	(474,792)	(100,000)	200,000		(374,792)	(100,000)		(474,792)
RES205	Property Repairs & Renewals Reserve	(809,670)	102,000			(707,670)	102,000		(605,670)
		<b>(1,462,525)</b>				<b>(1,298,353)</b>			<b>(1,334,181)</b>
	<b><u>Equalisation Reserves</u></b>								
RES101	Rent Allowances Equalisation	(131,431)				(131,431)			(131,431)
RES102	Planning Appeals Equalisation	(76,612)				(76,612)			(76,612)
RES105	Local Plan Equalisation	(9,795)				(9,795)			(9,795)
RES106	Elections Equalisation	(249,687)	62,900			(186,787)	62,900		(123,887)
RES107	Car Parking Equalisation	(269,341)				(269,341)			(269,341)
RES108	Business Rates Retention Equalisation	(14,770,745)	13,810,279		(5,024,656)	(5,985,122)	5,146,034		(839,088)
RES109	Cemetery income Equalisation reserve	(126,369)				(126,369)			(126,369)
RES110	HMO Licenses Equalisation	0			(58,667)	(58,667)	29,333		(29,334)
		<b>(15,633,980)</b>				<b>(6,844,124)</b>			<b>(1,605,857)</b>
	<b><u>Reserves for commitments</u></b>								
RES301	Carry Forwards Reserve	<b>(609,355)</b>	609,355			<b>0</b>			<b>0</b>
	<b><u>CAPITAL</u></b>								
RES402	Capital Reserve - GF	<b>(143,403)</b>	(200,000)	150,000	(100,000)	<b>(293,403)</b>	(200,000)	200,000	<b>(293,403)</b>
	<b>TOTAL EARMARKED RESERVES</b>	<b>(19,346,652)</b>				<b>(10,190,801)</b>			<b>(5,579,894)</b>
	<b><u>GENERAL FUND BALANCE</u></b>								
B8000 - B8240	General Balance - RR	(1,212,778)	(543,574)		832,732	(923,620)	(194,666)		(1,118,286)
		<b>(1,212,778)</b>				<b>(923,620)</b>			<b>(1,118,286)</b>
	<b>TOTAL GENERAL FUND RESERVES AND BALANCES</b>	<b>(20,559,430)</b>	<b>13,445,600</b>	<b>350,000</b>	<b>(4,350,591)</b>	<b>(11,114,421)</b>	<b>4,216,241</b>	<b>200,000</b>	<b>(6,698,180)</b>

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Appendix 5 - The Capital Programme

Directorate / Scheme	Scheme Description	Revised Budget 2021/22 £	Forecast Outturn 2021/22 £	For the Draft Budget Proposal			
				Forecast Budget 2022/23 £	Forecast Budget 2023/24 £	Forecast Budget 2024/25 £	Forecast Budget 2025/26 £
<b><u>FINANCE &amp; ASSET MANAGEMENT</u></b> <b>Property Services</b>							
Gloucestershire Airport Limited	Runway repairs	7,250,000	3,930,000	3,575,000	-	-	-
Minster Innovation Exchange	20,000 sq ft purpose-built commercial space adjacent to the Minster	4,338,906	5,895,193	-	-	-	-
Investment in regeneration and economic recovery	To investment in projects that will support the recovery of the town post pandemic	6,232,410	-	-	-	-	-
West Cheltenham development (Cyber Hub)	Infrastructure to support cyber hub	4,647,966	-	-	-	-	-
Electric Vehicle Charging Points		-	-	75,000	-	-	-
Smart Working Project	Municipal Offices ground and first floor refurbishment	270,000	-	-	-	-	-
Sandford Park toilets	Provide for new public toilet provision at Sandford Park. £150k	150,000	-	150,000	-	-	-
Clarence Fountain	Refurbishing the Clarence Fountain area in line with Green Economic Recovery and Investment strategy outlined in the 2020/21 outturn report.	-	85,000	-	-	-	-
Montpellier Toilets	To improve public toilet provision in the town.	-	-	100,000	-	-	-
Imperial Gardens Railing Restoration	The restoration of the Imperial Gardens Railing to be funded by external resources and project managed by CBC. £100k	100,000	100,000	-	-	-	-
		<b>22,989,282</b>	<b>10,010,193</b>	<b>3,900,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>PEOPLE &amp; CHANGE</u></b> <b>ICT</b>							
Carbon Neutral agenda	Seed funding to deliver the actions needed, as outlined in the report to Full Council in October 2019, to facilitate the Council's ambition to become carbon neutral by 2030.	732,600	50,000	682,600	-	-	-
IT Infrastructure	5 year ICT infrastructure strategy The new Case Management System, when fully implemented, should deliver staffing efficiencies of between 5% - 10% which would free up resource to take on additional third party work as envisaged by the Business Plan and the anticipated increase in third party income would be estimated to exceed, over the three year period, the procurement cost	150,000	50,000	200,000	100,000	-	-
One Legal case management system		40,000	40,000	-	-	-	-
<b>Leisure Trust</b>							
Commercialisation opportunities within the Cheltenham Trust	Invest a sum of £1m to pump prime the commercial opportunities identified by The Cheltenham Trust (including investment which both sustains and grows income at the Town Hall);	777,000	375,000	400,000			
		<b>1,699,600</b>	<b>515,000</b>	<b>1,282,600</b>	<b>100,000</b>	<b>-</b>	<b>-</b>
<b><u>PLACE &amp; GROWTH</u></b>							
In Cab Technology	The introduction of an In-Cab system would reduce the mileage required to be completed by Ubico, because it would guide the crew around their collection route and would largely eliminate mistakes. £200k	200,000	50,000	150,000	-	-	-
Crematorium Scheme - new chapels	Construction of new chapels	-	-	-	-	-	-
Crematorium Scheme - existing chapel	Redevelopment of existing chapel	285,000	20,000	265,000			
The Burrows Improvement Project	Forward funding for the Leckhampton playing field works.	866,000	866,000	-	-	-	-
Public Realm Investment - Grosvenor Street Car Park	Improving linkages to the High Street, signage and decoration. Additional CCTV in order to improve shopping areas and reduce fear of crime	115,500	-	115,500	-	-	-
CCTV	Public Realm in the Strand / Cambray	141,500	25,000	116,500	-	-	-
Public Realm Improvements - High Street Phase 2	Additional capital funding for investment in infrastructure improvements to the Council's off- street car parks, aligned to the actions proposed in the Car Parking Strategy approved by Cabinet in June 2017. Funded from car parking earmarked reserve.	424,914	2,000	422,914	-	-	-
Improvements to off-street car parking (£400k)		294,300	294,300	-	-	-	-
Changing Places	Two changing room accessible toilets in the town centre	42,185	-	42,185	-	-	-
<b>Housing</b>							
Disabled Facilities Grants	Mandatory Grant for the provision of building work, equipment or modifying a dwelling to restore or enable independent living, privacy, confidence and dignity for individuals and their families.	500,000	500,000	500,000	500,000	500,000	500,000
H&S, vacant property & renovation grants	Assistance available under the council's Housing Renewal Policy	206,400	-	206,400	-	-	-
Warm & Well	A Gloucestershire-wide project to promote home energy efficiency, particularly targeted at those with health problems	18,400	18,400	18,400	18,400	18,400	18,400
Housing Delivery	Enabling the delivery of Private Rented Sector (PRS) Housing through Cheltenham Borough Homes	4,500,000	-	4,500,000	4,500,000	4,500,000	-
Housing Enabling	Expenditure in support of enabling the provision of new affordable housing in partnership with registered Social Landlords and the Homes and Communities Agency (HCA)	252,746	-	252,746		-	-
<b>Parks and Gardens</b>							
S.106 Play area refurbishment	Developer Contributions	50,000		50,000	-	-	-
Play Area Enhancement	Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards	146,300	20,000	126,300	-	-	-
Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	161,402	-	161,000	-	-	-
Clyde Scooter Skate Park	Construction of a concrete scooter skate park in Clyde Crescent open space.	-	-	-	-	-	-
Replacement Parks & Gardens Vehicles	Replacement vehicles for parks and gardens	40,800	40,800	-	-	-	-
<b>Waste &amp; Recycling</b>							
Vehicles and recycling equipment and receptacles	Replacement vehicles and recycling equipment	1,519,000	992,389	1,034,925	1,300,000	-	-
		<b>9,764,447</b>	<b>2,828,889</b>	<b>7,961,870</b>	<b>6,318,400</b>	<b>5,018,400</b>	<b>518,400</b>
<b>TOTAL CAPITAL PROGRAMME</b>		<b>34,453,329</b>	<b>13,354,082</b>	<b>13,144,470</b>	<b>6,418,400</b>	<b>5,018,400</b>	<b>518,400</b>

<b>Funded by:</b>						
General Fund Capital Receipts	1,808,616	627,100	1,982,214	-		
Capital Reserve	500,000	50,000	200,000	100,000		
Prudential Borrowing	26,151,282	7,292,389	9,509,925	5,800,000	4,500,000	
Partner Funding	1,008,185	966,000	-			
Capital Grant or Contribution	3,496,600	3,900,192	424,785			
Better Care Fund	621,600	518,400	724,800	518,400	518,400	518,400
s106 Funding	302,746	-	302,746			
Other Revenue Reserves	564,300					
<b>Total</b>	<b>34,453,329</b>	<b>13,354,081</b>	<b>13,144,470</b>	<b>6,418,400</b>	<b>5,018,400</b>	<b>518,400</b>

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## Appendix 6 - Planned Maintenance Programme 2022-2023

Property Name	Description	£
All Properties (H&S)	Contingency fund for Compliance/ H&S remedial work (including Fire, Legionella & Asbestos remedials)	30,000
All Properties (H&S)	Top up for reactive	110,000
All Properties (H&S)	EPC Remedials	20,000
Bridges	Bridge inspection reports	10,000
Rec Centre	Sports hall flooring sand/ seal	15,000
Rec Centre	Replacement of 3 No. fire exit doors to sports hall	10,000
Rec Centre	Roof repairs over ground floor office area	20,000
PoW	Track repairs	10,000
PoW	Repairs/ alterations to roof covering to overcome ongoing water ingress	20,000
PoW	Annual high level lighting inspection plus works arising	10,000
PoW	Replacement of fire alarm panel	10,000
Central Depot	Remedial repairs arising from CCTV drainage survey	10,000
Central Depot	Remedial repairs to retaining wall following structural engineers report	10,000
Central Depot	Remedial works arising from fire alarm survey	10,000
Central Depot	Works arising from concrete floor survey to bulking shed	20,000
Central Depot	Ongoing repairs to service road	10,000
Central Depot	Ongoing roof repairs to various buildings	15,000
Brizen Pavillion	Roof covering replacement	20,000
Cemetery offices	Replacement windows	10,000
Cemetery offices	Flat roof replacement and coping stones	20,000
Cem Old Chapels	Repairs to stonework walls	10,000
Cem Old Chapels	Slipped roof tiles	10,000
Cem Old Chapels	Flat roof repairs	20,000
Cemetery grounds	New water main	20,000
Art Gallery and Museum	Renew cracked/ slipped slates and install fall arrest system	15,000
Art Gallery and Museum	Replacement boilers x 1	10,000
Art Gallery and Museum	Repairs arising from stonework surveys	10,000
Art Gallery and Museum	Repairs/ redecoration to basement windows	10,000
Art Gallery and Museum	Replacement chiller (HVAC)	10,000
Town Hall	Repairs arising from stonework surveys	10,000
Town Hall	Renew cracked/ slipped slates and install fall arrest system	20,000
Town Hall	Scagliola/ plasterwork survey & remedials	10,000
Pump Rooms	Sand/ seal floor	8,000
Pump Rooms	Repairs arising from stonework surveys	10,000
Pump Rooms	Repairs to dome	10,000
Royal Well toilets	Refurbishment/ replacement of wallgate unit	24,000
		<b>£ 597,000</b>

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## Cheltenham Borough Council

Cabinet – 21st December 2021

### Housing Revenue Account - Revised Forecast 2021/22 and Interim Budget Proposals 2022/23 for Consultation

Accountable member	Cabinet Member for Finance, Councillor Peter Jeffries
Accountable officer	Executive Director Finance and Assets (Section 151 Officer), Paul Jones
Ward(s) affected	All
Key Decision	Yes
Executive summary	<p>This report summarises the Housing Revenue Account (HRA) revised forecast for 2021/22 and the Cabinet's interim budget proposals for 2022/23 for consultation.</p> <p>These interim budget proposals have been designed to support the economic recovery of Cheltenham and improve the quality of life for our tenants and communities. Our approach to housing services, in partnership with Cheltenham Borough Homes (CBH) and in line with the Social Housing White Paper, is to deliver these through genuine engagement with our tenants.</p> <p>The pandemic has had and continues to have a very significant impact on individuals and communities. Whilst the economy is recovering and unemployment falling, uncertainty over the future and financial challenges remain.</p> <p>The Cabinet's response is to continue the Council's significant investment in homes and services for the benefit of customers and communities. We have ambitious plans for housing over the medium to long-term including improving existing homes, supplying much needed new homes and aspiring to make Cheltenham a net zero carbon council and borough by 2030.</p> <p>A 'fabric-first' approach is being taken by CBH on existing homes by improving insulation before low carbon heating technology is installed. The Council and CBH have already been successful in a bid to the Government's Social Housing Decarbonisation Fund for a deep retrofit pilot scheme with a further bid to Government for 50-60 homes in 2022/23 awaiting decision and plans to increase the pace of delivery in future years.</p> <p>In addition, a significant proportion of the new homes within these budget plans will be built as net zero carbon buildings on sites controlled by the Council such as 320 Swindon Road which recently gained planning permission. Low carbon, energy efficient, high-quality homes will be warmer and cost less to run and improve the health and wellbeing of our communities.</p>

Budget projections for the next 3 years include £67m for additional affordable homes as part of the Council's £180m housing investment programme in partnership with CBH. The pipeline is set to deliver 450 additional homes over 5 years based on the current pipeline of schemes.

The 2022/23 capital programme includes proposals to invest over £10m in existing homes and then to continue at this level for the following 2 years. This demonstrates a significant commitment to improving existing homes for customers to ensure they remain safe and secure places to live.

Investing appropriately in core landlord services and community services remains a key priority whilst ensuring operating costs are being controlled to deliver value for money. These services continue to be delivered collaboratively with other partners to increase the scope and impact for customers and communities.

The interim budget proposals for 2022/23, including the focus on sustainable, green investment, ensure the Council and CBH will continue to be able to support tenants and communities to thrive, help improve outcomes for young people, reduce inequality and support the economic recovery of Cheltenham through this challenging period.

**Recommendations**

1. Note the revised HRA forecast for 2021/22.
2. Approve the interim HRA budget proposals for 2022/23 (shown at Appendix 2) for consultation including a proposed rent increase of 4.1% and changes to other rents and charges as detailed within the report.
3. Approve the proposed HRA capital programme for 2022/23 as shown at Appendix 3 and Appendix 4.
4. Delegate authority to the Executive Director Finance and Assets, in consultation with the Cabinet Member for Finance, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for consultation.
5. Seek consultation responses by 26<sup>th</sup> January 2022.

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Paul Jones.</b></p> <p><b>E-mail:</b> <a href="mailto:paul.jones@cheltenham.gov.uk">paul.jones@cheltenham.gov.uk</a></p> <p><b>Tel no: 01242 264365</b></p>
<b>Legal implications</b>	<p>There are no specific legal implications arising from the report</p> <p><b>Contact: One Legal</b></p> <p><b>E-mail:</b> <a href="mailto:legal.services@onelegal.org.uk">legal.services@onelegal.org.uk</a></p> <p><b>Tel no: 01684 272017</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>There are no direct HR implications arising from the report</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail:</b> <a href="mailto:julie.mccarthy@publicagroup.uk">julie.mccarthy@publicagroup.uk</a></p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	<p>As outlined in Appendix 1</p>
<b>Corporate and community plan Implications</b>	<p>The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.</p>
<b>Environmental and climate change implications</b>	<p>The draft budget contains proposals for improving the local environment particularly in addressing the issue of energy reduction in Council owned dwellings and moving towards a net zero carbon housing portfolio by 2030.</p>

## 1. Background

- 1.1 The Council's Constitution requires that the Cabinet prepare interim budget proposals for consultation before it makes recommendations to full Council in February 2022. The Cabinet is then required to draw up its firm budget proposals having regard to the responses it has received during the consultation period, and its report to Council in February 2022 should reflect the Cabinet's response to such comments.

## 2. Current Operating Environment

- 2.1 The pandemic has had a significant effect on the Council and many sectors of the economy including housing and construction. The economy is recovering and expected to reach pre-crisis levels at the beginning of 2022. Unemployment is expected to continue to decline. Inflation is expected to keep increasing due to higher energy and commodity prices and continuing supply shortages before reducing later in 2022.

- 2.2 The construction and housing industry continues to face a number of challenges as the economy recovers putting pressure on the availability and price of materials and skilled labour. The impact on the HRA is reflected in higher levels of demand from tenants, increasing costs and needing to reschedule planned programmes for repairs and maintenance activities and the development of new homes. The impact is also being felt by tenants individually leading to greater support needs as Cheltenham communities recover from the pandemic.

### 2.3 *Social Housing White Paper*

- 2.3.1 The Social Housing White Paper seeks to provide transformational change, establishing a new Charter for social housing residents. The new Tenants Charter sets out what every social housing resident should be able to expect through seven key commitments. Cheltenham has always had a tradition of putting customers first, treating them well and making a positive difference to residents' lives. This focus on the customer, the continual drive to provide safe and secure homes and create strong and supportive neighbourhoods, as reflected in the investment plans proposed in this report, echo what the Social Housing White Paper sets out to achieve.

- 2.3.2 Details on the implementation of the Tenants Charter, consultation and related timescales will become evident from Government in due course. Proactive and positive work is already well underway in partnership with Cheltenham Borough Homes (CBH) on responding to the challenges in the Paper, changes in safety regulations, having mechanisms for tenants to shape and scrutinise services and being transparent on compliance and performance of housing services.

- 2.3.3 The budget proposals for 2022/23 include the transition of electrical safety checks for homes from every 10 years to every 5 years, developing a new tenant engagement strategy comprising the overarching messages from the Paper, consulting with tenants around home and building safety and reporting on tenant satisfaction measures and landlord performance measures.

### 2.4 *Universal Credit (UC)*

- 2.4.1 The £20 Universal Credit (UC) uplift ended on the 6 October 2021 despite significant concerns being raised. Homelessness charity Crisis warned that it would place 100,000



renting households at risk of eviction (this is number of households in England on UC who were in 2 or more months of arrears during Nov-Dec 2020). To support those in work the UC “taper” has been cut from 63% to 55%, so that instead of losing 63p of benefit for every £1 earned above the work allowance, the amount is reduced to 55p. Changes were also announced to the UC Work Allowance, which is the amount that people who are responsible for a child or have a limited capability for work, can claim before their UC payment is affected.

- 2.4.2** CBH's benefit and money advice team works closely with customers, usually in critical and/or vulnerable situations to provide advice about benefits available and financial help. The proposed budget will enable this team to continue to support tenants in claiming additional benefits and help them stay in their homes and improve their quality of life. The service also supports customers with advice on UC and works closely with other partners such as the DWP.

### **2.5 Government Policy**

- 2.5.1** Current Government rent policy is to permit rents to increase by a maximum of CPI (as at previous September) + 1% per annum for the next three years before a further review. The CPI for September 2021 was 3.1% thus allowing a maximum rent increase for 2022/23 of 4.1% which has been included in this budget.
- 2.5.2** From April 2022 the rate of Employers' National Insurance contributions will increase for one year in advance of a new health and social care levy. The amount will increase by 1.25% which has been factored into the budget proposals for 2022/23.
- 2.5.3** The Government have confirmed that Local Housing Allowance levels will be frozen for 2022/23 which could impact levels of affordable rent on current and future development schemes.
- 2.5.4** The Government has implemented changes to RTB policy in 2021 which supports the reinvestment of these receipts into the supply of additional social housing in Cheltenham. The deadline to use RTB receipts has been extended from three years to five years and these receipts can fund 40% of each new home instead of 30%. The use of RTB receipts continues to be closely monitored by CBH to ensure they are retained for reinvestment in Cheltenham.

### **2.6 Proposed Government Planning Reforms**

- 2.6.1** In Summer 2020 Government published the Planning White Paper ‘Planning for the Future’ which proposed to overhaul the current suite of planning policies, with the overarching aim of reinvigorating home ownership, supporting the Government's target to deliver 300,000 homes per annum and boost development's contribution to the economy and infrastructure as a response to COVID-19. The reforms were aimed at reducing bureaucracy and aligning with government's ‘build, build, build’ agenda. When Michael Gove was appointed as Secretary of State for Levelling Up, Housing and Communities in September 2021, he swiftly announced that the planning reforms would be put on hold, with no definitive timetable released. He has however since indicated that he sees planning reform as just one part of a much-bigger piece of work to review housing policy. The impacts of any changes will be reviewed when details are available.

### **3. Investing in Cheltenham**

**3.1** The Council's response to the current environment and recovery from the pandemic is to continue its significant investment in homes and services for the benefit of the people of Cheltenham. The Council has ambitious plans for housing over the medium to long-term including improving existing homes, supplying new homes and investing to make Cheltenham net zero carbon by 2030. Further detail on these investment plans is set out below.

#### **3.2 *Making Cheltenham Net Zero Carbon by 2030***

**3.2.1** The Council is working towards its challenging target of becoming a net zero carbon borough by 2030, and a key element of this is a programme of carbon reduction for existing HRA homes. The work to decarbonise existing homes is complex and challenging however it has more positive outcomes than simply cutting carbon emissions - energy efficient homes will be warmer and cost less to run and improve the health and wellbeing of our communities.

**3.2.2** A 'fabric-first' approach is being taken with the existing homes managed by CBH which includes the Council housing stock of around 5,000 dwellings, many of which are heated by greenhouse gas emitting gas boilers, ensuring that the homes are as energy efficient as possible by improving the insulation before low carbon heating is reviewed and considered. The Council and CBH have already been successful in a bid to the Social Housing Decarbonisation Fund for a deep retrofit pilot scheme. This will demonstrate the potential to make our existing homes low carbon through fabric improvements and low carbon heating.

**3.2.3** Further to this pilot scheme Government has made £160m of funding available through 'Wave 1' of the Social Housing Decarbonisation Fund (SHDF). In partnership with CBH the Council has bid for part of this funding which would enable up to two thirds of the total cost of an initial project aimed at 'fabric first' measures such as improved insulation to reduce energy demand for eligible homes and improve the homes to at least Standard Energy Procedure (SAP) C. The total budget covering this bid is approximately £1.26m and will cover improvements for 50 to 60 HRA homes. The grant needed to fund this project is estimated to be around £780k, with the HRA funding the remainder of around £480k.

**3.2.4** Further grant bids, in partnership with other local authorities where beneficial, will be made as funding becomes available from Government. An estimate for works and funding under 'Wave 2' has been included in the projections for 2023/24 and 2024/25 to increase the pace of delivery of these retrofit works on existing homes.

**3.2.5** In addition, the Council is investing in new net zero carbon homes. Planning has recently been granted at 320 Swindon Road for 24 highly energy efficient new homes with other schemes controlled by the Council coming forward for development in 2022/23 and beyond also meeting this aspiration and achieving a cleaner, greener sustainable environment.

**3.2.6** This investment is being managed by CBH and working in partnership the Council will seek to influence the energy sustainability standard of other developer led schemes which will deliver future homes for the HRA and support other green initiatives for the benefit of HRA tenants.

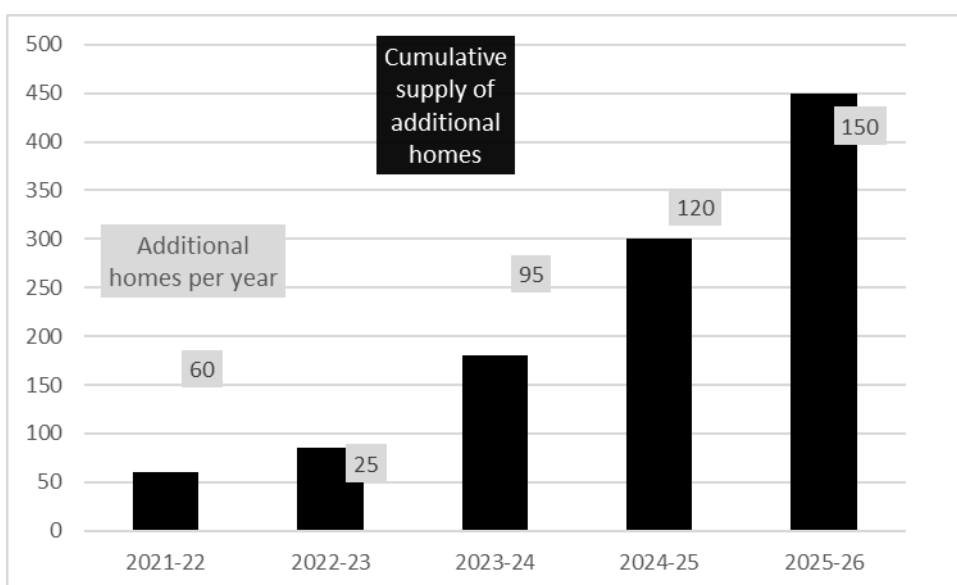
#### **3.3 *Investing in new affordable homes***

**3.3.1** The Council continues to successfully deliver new affordable homes through its £180m housing investment programme in partnership with CBH. As part of this programme the

Council has already spent approximately £34m and is allocating £17m for 2022/23 and projecting further investment of £50m over the following 2 years.

**3.3.2** In the current year 60 additional affordable homes are expected to be delivered; 27 new homes already delivered and let on the Monkscroft Villas site, 10 new homes in Brockhampton and Prestbury Road and 20-25 newly acquired properties. These include a mix of apartments, 2 bed and 3 bed houses across multiple tenures.

**3.3.3** The last 18 months has given the housing sector a number of challenges that have temporarily impacted bringing forward new sites for development. This will reduce the number of new homes that can be delivered next year however the step change in supply of new affordable homes after this will continue with a range of affordable tenures provided including social rent, affordable rent and shared ownership. The current pipeline is set to deliver 450 additional homes in the current and following 4 years, as shown below, with a number of other opportunities currently being explored and negotiated.



**3.3.4** An element of the supply of new homes from 2024/25 onwards is the contribution from the Golden Valley development spearheaded by the Council. When combined with other opportunities such as 320 Swindon Road and the former Monkscroft Primary School site this could result in over 1,000 additional affordable homes being delivered by 2030.

## 3.4 Investing in existing homes

Each year thousands of responsive repairs and planned works are carried out to ensure existing homes remain secure and safe places to live. The HRA's asset management strategy includes investment programmes to help bridge the quality gap between existing and new homes. These programmes of work maintain statutory compliance, increase energy performance and improve the quality of homes in ways that assist customers and contribute to their quality of life.

**3.4.1** This programme of investment will continue in 2022/23 with £1.4m allocated to 'fabric first' and other energy sustainability measures, £1.7m for new windows, £1.8m for external works including roofs, chimneys and rainwater goods, £0.7m for new kitchens, bathrooms, showers and rewiring, and £0.6m for a new warden call system. In addition, £0.6m has been allocated for neighbourhood improvement works to deliver external scheme improvements in

collaboration with customers.

- 3.4.2** Investment in compliance remains a high priority for the 2022/23 budget, ensuring new requirements are met and customers continue to feel safe in their homes. In accordance with changed regulations domestic property electrical tests now need to be completed every 5 years rather than 10 years meaning additional electrician and administration support has been included in the budget proposals to deliver this revised regulatory requirement.
- 3.4.3** For gas safety, performance remains strong and whilst 'out of date' figures increased due to the COVID-19 lockdowns this has been managed back to pre-lockdown performance (99.9% in date) and will be maintained in 2022/23. CBH take a robust approach to ensure access through legal means where this is necessary, whilst a more measured approach is taken when the situation demands this, for example working closely with other local agencies to support tenants who are resistant to volunteering access due to mental health issues.
- 3.4.4** All Fire Risk Assessments for communal areas will have been updated during the current year under more rigorous guidelines and the recommendations from these assessments will be included in the planned improvements programme starting in 2022/23.
- 3.4.5** In total the budget for 2022/23 proposes an investment of over £10m in existing homes and the projections are to continue to invest at this level for the following 2 years. This demonstrates a significant commitment to improving existing homes for customers to ensure they remain safe and secure places to live.

### **3.5 *Investing in communities***

- 3.5.1** CBH's community investment programmes focus on four strategic themes: health and wellbeing, education training and skills, community safety and enabling community involvement and engagement. These priorities were informed by community consultation and partner engagement and align with the wider aims of the Council. Outcomes and community impact are measured through HACT's Social Value model.
- 3.5.2** Examples of this work include the successful Monkscroft Community Action Group which is helping to support a vibrant and inclusive community in that neighbourhood. This model is being replicated with partners and residents in other neighbourhoods to establish new residents' groups. Over school holidays CBH has also worked closely with the Council and other partners to deliver a range of fun and healthy activities as part of the No Child Left Behind Campaign.
- 3.5.3** CBH's ASB team support our partners, including the Police, in tackling issues of drug use and other anti-social behaviour issues. The team will continue out of hours working to support and reassure local residents and work proactively through supporting people dealing with trauma related vulnerabilities.
- 3.5.4** CBH's pilot ACE's programme (Adverse Childhood Experiences) has been developed with the goal of supporting families along a pathway to resilience to overcome their ACEs. This approach is based upon a "what has happened to you" approach, centred around trust building, kindness and compassion. The outcomes of the pilot prove the value of taking an ACEs approach and supports the extension of this programme including progressing opportunities for obtaining external funding to expand the programme.
- 3.5.5** CBH's Employment and Training team deliver a range of activities with the aim of supporting

150 customers into new jobs or training each year. Existing programmes for young people such as Thrive, which is designed to help young people stay in education and then transition to apprenticeships where possible, will continue under the budget proposals. Newly developed programmes such as working in partnership with GEM (Going the Extra Mile) to support 18-24 year olds in gaining Employability Skills Development Certificates, work placements and careers advice will also be possible.

- 3.5.6** The budget proposals for 2022/23 ensure the Council and CBH will continue to be able to support tenants and communities to thrive and help improve outcomes for young people and reduce inequality.

### **3.6 *Maintaining high quality landlord services***

- 3.6.1** Despite the challenging operating environment, with the support of the Council, CBH continues to prioritise the provision of high quality, core landlord services to tenants, delivering top quartile performance when compared to other housing providers in the sector. These core services include repairs, anti-social behaviour management (ASB), tenancy management, rent arrears management, lettings and resident involvement. Appropriate investment in these core landlord services from the HRA ensures high performance and customer satisfaction levels.

- 3.6.2** Repairs and maintenance performance is a key driver of satisfaction and important to sustain quality housing stock and therefore extra capacity has been included in the draft budget to respond to increases in demand and recognise the current cost pressures and shortages in materials and skilled labour in the sector. As part of this extra capacity, provision has been made for an additional apprenticeship role.

- 3.6.3** As part of the proposed budget CBH will continue to focus on listening and acting on customer feedback in order to improve satisfaction levels, expand digital services whilst identifying efficiencies in core management costs through mobile working and automation of processes.

## **4. Delivering through strong partnership working**

- 4.1** Delivery of the Council's housing ambitions and investment plans set out above is only possible through strong partnership working. The partnership with CBH continues to be strengthened with joint working to implement opportunities and efficiencies proposed within the recent strategic housing review and collaborate further on our jointly held strategic goals and measures of success.

- 4.2** One of the CBH owned outcomes of the Stronger Working Partnership Programme is to deliver annual savings for the Council of £487k over three years to 2023/24. The driver for these savings is to support the long-term sustainability of the HRA during the current period of greater financial uncertainty and significant investment challenges for the HRA over the medium term including new homes, existing homes and net zero carbon whilst maintaining high quality services for customers.

- 4.3** A targeted savings profile is shown below along with the current forecast position.

	2021/22 £000	2022/23 £000	2023/24 £000	Total Annual Savings £000
<b>Indicative annual savings to be identified and delivered by CBH for the Council</b>	70	200	217	487
<b>Current forecast based on progress to date</b>	109	200	178	487
<b>Savings delivered or in progress</b>	✓	✓	tbc	309

**4.4** Year 1 savings have been delivered by CBH through efficiencies reflected in a flat ALMO management fee for 2021-22. Year 2 savings relate to the lease surrender of Cheltenham House during the current year. This lease surrender was negotiated by CBH 5 years in advance of the lease termination date and without incurring any penalties or dilapidation charges. CBH will continue to work over the coming 12-18 months to identify and deliver the remaining £178k of savings for 2023/24.

**4.5** Through CBH, partnership working extends a lot further, working with multiple partners to deliver projects, activities and funding including:

- a large number of successful community events during school holidays supporting the Council's No Child Left Behind Campaign and the holiday activity and food programme Cheltenham's Summer of Play 2022
- a hub based service focusing on wellbeing to support older people to access services and social opportunities close to home, supporting independent living and reducing social isolation
- a Housing First pathway to permanently house rough sleepers in tenancies with support
- projects to combat Anti Social Behaviour
- outcomes for families and young people impacted by Adverse Childhood Experiences
- employment and training outcomes
- a programme of detached youth work
- support for Cheltenham's Heads up campaign to raise awareness of mental health and positive lifestyle choices
- support for Cheltenham' Inspiring Families programme, working with partners to provide community based family support

## **5. 2021/22 HRA Revised Forecast (Appendix 2)**

**5.1** The most recent revenue forecast for the current year shows a reduction in the net operating surplus of £210,500 compared to the original budget. Significant variations (greater than £50,000) have been identified in budget monitoring reports and are shown below:

<b>Budget Heading</b>	<b>Additional Cost (-) / Income (+) £</b>
Repairs and Maintenance - increased expenditure due to the lifting of COVID restrictions and the need to clear the repairs backlog. The current demand from customers is higher than the previous 'normal' level of activity which is being monitored closely. There are also increasing cost pressures, on materials, labour and sub-contract works, as well as supply issues with certain material products.	-257,900
Interest Payable – reduction in borrowing due to COVID-19 delays to the capital programme and availability of other resources	156,900
Depreciation of Dwellings – reflects higher stock numbers and inflation on components and property valuations	-158,300
Depreciation of Other Assets – decreased due to delay in other capital additions (e.g. garages)	52,100
Other net variations (lower than £50,000)	-3,300
<b>Decrease in Operating Surplus (compared to Original Budget)</b>	<b>-210,500</b>

- 5.2** The most recent forecast of the HRA Capital Programme shows a reduction of £8,295,700 compared to the original budget. Significant variations (greater than £250,000) have been identified in budget monitoring reports and are shown below:

<b>Budget Heading</b>	<b>Additional Capital (+) / Reduction (1) £</b>
Windows & Doors - manufacturing and fitting interruptions are being experienced by the contractor due to labour supply shortages	-511,000
Warden call – procurement delays and extended lead in period due to current shortages in the market resulting in works running into 2022/23	-400,000
HRA New Build and Acquisitions - although forecast completions of new build and acquisitions remain on target for the year there have been additional challenges in progressing new schemes due to planning, material and labour supply shortages and financial viability issues. These challenges are being faced by a number of different contractors on s106 schemes and developer led schemes. The overall pipeline of new properties remains strong however the timings within the programme will change.	-7,000,000
Other net variations (less than £250,000)	-384,700
<b>Decrease in HRA Capital Programme (compared to Original Budget)</b>	<b>-£8,295,700</b>

### **6. 2022/23 HRA Budget Proposals (Appendix 2)**

- 6.1** The detailed budget proposals for the HRA Operating Account are set out in Appendix 2. These highlight an increasing net operating surplus from the increase in rent from new homes whilst controlling costs. These net operating surpluses will be reinvested back into the HRA to support future service delivery and investment in new homes and improvements to existing homes.
- 6.2** All rents are proposed to increase by 4.1% in April 2022 following the announcement of the CPI for September 2021 at 3.1% (current Government rent policy limits annual rent increases to CPI + 1%).
- 6.3** Every pound of additional rent will be reinvested back into the HRA in order to deliver enhanced services which help improve the quality of life for HRA tenants, maintain and improve existing homes and provide more high-quality, net zero carbon affordable homes which are needed in Cheltenham. Working with CBH the Council will continue to demonstrate excellent customer services and high performance at the right cost delivering value for money and achieving positive change and outcomes for its communities.
- 6.4** The rent estimates assume a 1% void rate and 20 RTB sales annually and also reflect additional income from newly built homes and acquired homes.
- 6.5** Estimates of service charge income currently assume:
- Increase of 4% for cleaning services supplied by CBH reflecting pay inflation and additional costs of waste disposal
  - Increases for heating to communal areas of 7.5% spreading current fuel price inflation over more than one year
  - Increase of 3% for HRA grounds maintenance work undertaken by Ubico
- 6.6** Garage rents are to be increased by 4.1% from April 2022 in line with the proposed increase in housing rents.
- 6.7** Expenditure budgets reflect: -
- A pay award in 2022/23 of 2% with a 1% contingency provision
  - Employers' National Insurance increasing by 1.25% next year prior to a new health and social care levy in the following years
  - An increase in the ALMO management fee of 1.5% which reflects provision for a pay award, increase in National Insurance and inflation on other non-staff costs, offset by savings under the CBC/CBH Stronger Working Partnership Programme
  - Inflationary increases of 3% on non-staff pay costs with higher inflationary increases on building and maintenance costs reflecting current price pressures in the construction sector and the impact of the increase in National Insurance on subcontractors and other suppliers
  - Shared service cost increases at 3% per annum
  - Interest rates on new borrowing at 2% per annum
  - Assumption that Homes England funding continues at existing levels and shared ownership costs do not change substantially



- 6.8** Significant changes to the HRA operating account (greater than £50,000) in 2022/23 as compared to the revised forecast for 2021/22 are itemised in the table below. There is an increase of £232,600 in the operating surplus for the year when compared with the 2021/22 forecast.

<b>Budget Heading</b>	<b>Additional Cost (-) / Income (+)</b>
<b>£</b>	
General and Special Management – increase due to pay award and NI increases and inflation on non-staff costs in particular fuel charges	-164,300
ALMO Management Fee – increase due to pay award and NI increases, additional office space in Municipal Office partly offset by savings identified through the CBC/CBH Stronger Working Partnership	-88,000
Increase in Repairs & Maintenance – the forecast noted above already takes into account demand, price and supply pressures. The limited additional budget provision for 2022/23 reflects reduced reliance on sub-contractors and new fire risk assessments being undertaken in 2021/22 and not needing renewal for a further 5 years	-69,900
Interest Payable – arising from additional borrowing to finance the capital programme	-242,300
Depreciation of Dwellings – reflects the increase in stock numbers	-201,800
Rent Income – rent increase (4.1%) and supply of new homes	964,900
Other net variations (lower than £50,000)	34,000
<b>Increase in Operating Surplus (compared to 2021/22 forecast)</b>	<b>232,600</b>

## **7. HRA Capital Programme 2022/23 (Appendices 3 & 4)**

- 7.1** The capital programme for 2022/23 continues to show significant investment in both existing homes and the acquisition and development of additional homes. Total spend is forecast to increase to £28m.
- 7.2** The proposed funding of this ambitious programme is set out at Appendix 3 and includes a combination of borrowing, Homes England grant, shared ownership sales, capital receipts and leaseholder and revenue contributions. The balance of funding sources may vary, dependent on availability and prevailing interest rates.

## **8. Funding and Financial Viability**

- 8.1** The significant level of capital investment proposed within this report will be financed by a combination of borrowing, grant funding, shared ownership sales and capital receipts. Careful management and monitoring of this investment and related financing will be maintained to ensure that the HRA remains financially viable for the long term. To this end the assumptions and plans identified in the 2022/23 budget proposals and the projections for the following 2 years have been included in the updated 30-year HRA Financial Model.
- 8.2** There remains a number of areas of uncertainty and risk within the longer term projections for the HRA including the level and nature of Government funding for the retrofit programme

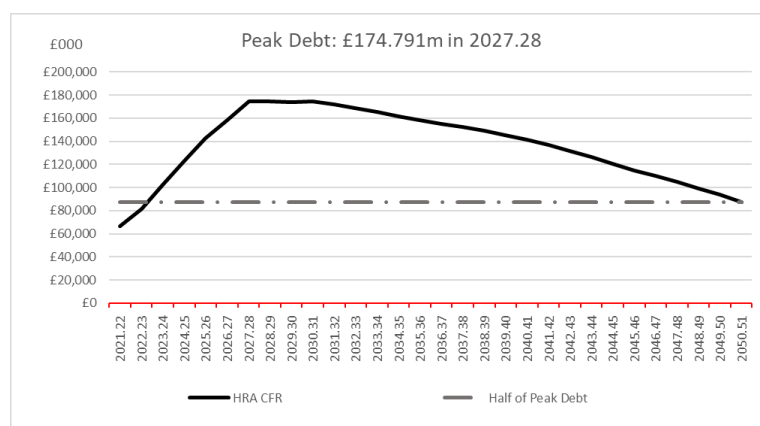
for existing homes to deliver on carbon reduction aspirations, the pace of delivery of new homes that is possible, inflationary and supply pressures, and Government rent and other policy positions. These will continue to be monitored and modelled as further information becomes available.

## 8.3 Long term assumptions used in the model include:

- CPI at the Government target rate of 2%
- Rent increases at CPI + 1% per annum to March 2025 then reducing to CPI thereafter (next review of Government rent policy due April 2025)
- Borrowing rates at 3% per annum over the long term
- A refreshed assessment of the 30-year need to spend on repairs and component replacement

## 8.4 The following parameters are used to ensure financial viability in the longer term:

- the ability to deliver the capital programme on existing homes
- the HRA is able to repay debt – as shown in the graph opposite with debt in year 30 less than half of peak debt
- HRA reserves do not fall below a contingency level
- there is sufficient and growing interest cover



## 8.5 This 30-year model is maintained and updated annually by CBH to ensure that the HRA retains capacity for further investment in programmes as required including net zero carbon, new homes and the Golden Valley project. Careful monitoring is necessary to ensure that the scale and pace of delivery does not risk long term viability.

## 9. Consultation process

### 9.1 The Council is proposing to consult on these budget proposals during the period to 26<sup>th</sup> January 2022. The results from this consultation will be fed back to the Cabinet and considered in the formulation of the final budget proposals.

### 9.2 As part of the interim consultation process the Cabinet's proposals will be included on the Council's and CBH's website. All interested parties will be encouraged to respond, and consultation meetings will be held with tenant representatives.

### 9.3 In preparing the consultation document it may be helpful to provide supplementary information, for instance relating to the main changes in the budget. It is therefore recommended that the Executive Director, Finance and Assets and Cabinet Member for Finance be given delegated authority to approve any supplementary information for consultation.

<b>Report author</b>	<b>Stafford Cruse, Interim Executive Director (Finance and Resources), Cheltenham Borough Homes</b>  <b>Tel. 07721 879841</b>  <b><i>e-mail address: <a href="mailto:stafford.cruse@cbh.org">stafford.cruse@cbh.org</a></i></b>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. HRA Operating Account</li> <li>3. Major Repairs Reserve and HRA Capital Programme (summary)</li> <li>4. HRA Capital Programme (detail)</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. HRA 30-year Financial Plan</li> <li>2. CBH Budgets and Plans</li> <li>3. CBC Corporate Strategy</li> </ol>

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The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.01	If the external policy environment remains volatile this may impact the economic operating environment and future funding of the HRA	Tim Atkins	December 2019	4	3	12	R	Policy changes are monitored closely and the impacts understood and mitigated where there is a significant impact on the HRA (such as the four year rent reduction policy). A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term	Mar 2023	CBH through management agreement	
1.02	If welfare reforms, including changes to UC rates, have a greater impact on tenants than anticipated and planned for, it may increase the level of arrears for the HRA and impact on vulnerable families	Tim Atkins	December 2012	3	2	6	R	The HRA budget includes specific resources to control rent arrears and support tenants through transition to Universal Credit. This has been successful in mitigating the impact so far.	Mar 2023	CBH through management agreement	
1.03	If void rent loss is higher than estimated it will impact on assumed rent income in the HRA	Tim Atkins	December 2012	3	2	6	R	Demand for social housing remains high and is anticipated to increase in the medium term, with a significant waiting list and short re-let times. Quality of homes needs to be maintained and changes in void levels monitored.	Mar 2023	CBH through management agreement	
1.04	If there are insufficient resources to deliver planned maintenance to existing homes or meet additional compliance	Tim Atkins	December 2019	4	3	12	R	Robust stock condition data and compliance data is maintained informing future capital spend and compliance requirements.	Mar 2023	CBH through management agreement	

	requirements, then homes may become non decent or there may be an increase in void loss							Procurement best practice is followed with continuing contract management. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term			
1.05	If the demand for reactive repairs increases there may be insufficient budget to meet demand	Tim Atkins	December 2012	3	2	6	R	The planned maintenance programme for existing homes is delivered each year. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term. Major peril to the stock is fire which is covered by appropriate insurance.	Mar 2023	CBH through management agreement	
1.06	If the Net Zero Carbon programme is not carefully planned and delivered and not sufficiently funded by Government there may be insufficient resources to deliver existing maintenance programmes and services	Tim Atkins	December 2019	4	3	12	R	Resources have been set aside to conduct pilot and initial retrofit activities. This will be followed by further funding bids and retrofit programmes. The target for new build controlled by the Council is to deliver net zero carbon homes. Progress in the sector and funding proposals by Government will be carefully monitored. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term	Mar 2023	CBC/CBH through partnership working	

1.07	If there are insufficient new supply opportunities (land/acquisitions) or resources (including funding such as grants and borrowing) the ambitious targets for net new supply will not be achieved	Tim Atkins	December 2019	3	2	6	R	Internal resources have been expanded to identify and deliver on new supply opportunities. Close partnership working between and CBC and CBH and also with Homes England is maintained. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term	Mar 2023	CBC/CBH via Strategic Housing Delivery Group, Council Member Working Group, Operational Working Group	
1.08	If the capital receipts held from RTB sales under the retention agreement with DLUHC are not used within 5 years of receipt they are repayable with interest to the Government	Tim Atkins	December 2021	3	1	3	R	The acquisition programme is continuing at a level which is adequate to use receipts before they would be repayable. This position is regularly monitored.	Mar 2023	CBC/CBH via the Operational Working Group	
1.09	If the impact of the COVID 19 pandemic continues in the medium term this may cause further operating and financial restraints	Tim Atkins	December 2020	4	3	12	R	Government advice will be followed and implemented as required. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term.	Mar 2023	CBH through management agreement	
1.10	If material and labour price increases and resource constraints continue in the medium term this may cause further financial restraints	Tim Atkins	December 2021	4	3	12	R	The current volatility in the construction sector will continue to be monitored carefully. Long term supply agreements are in place or will be put in place for new programmes through competitive procurement to reduce the risk of labour and material	Mar 2023	CBH through management agreement	

								shortages. Sufficient internal resource will be maintained to reduce the impact of subcontractor price volatility. A 30 year financial plan is maintained, updated and stress tested regularly to ensure the HRA is financially viable over the long term.			
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	2021/22		2022/23	2023/24		2024/25
	Original	Forecast	Estimate	Projections		
	£	£	£	£	£	£
<b>EXPENDITURE</b>						
General & Special Management	2,253,900	2,283,200	2,447,500	2,520,500	2,563,600	
ALMO Management Fee	5,503,000	5,503,000	5,591,000	5,524,800	5,635,300	
Rents, Rates, Taxes and Other Charges	69,600	89,600	89,600	89,600	89,600	
Repairs & Maintenance	4,481,000	4,738,900	4,808,800	4,963,800	5,123,700	
Provision for Bad Debts	292,000	292,000	307,000	321,000	342,000	
Interest Payable	2,034,600	1,877,700	2,120,000	2,514,000	2,914,400	
Depreciation of Dwellings	4,898,000	5,056,300	5,258,100	5,369,200	5,594,300	
Depreciation of Other Assets	328,700	276,600	278,200	308,400	328,700	
Debt Management Expenses	89,100	89,100	93,600	95,500	97,400	
<b>TOTAL</b>	<b>19,949,900</b>	<b>20,206,400</b>	<b>20,993,800</b>	<b>21,706,800</b>	<b>22,689,000</b>	
<b>INCOME</b>						
Dwelling Rents	19,466,800	19,506,200	20,471,100	21,404,600	22,800,800	
Non Dwelling Rents	502,000	499,300	508,000	514,300	520,900	
Charges for Services and Facilities	908,700	912,400	947,300	975,200	1,004,400	
Feed in Tariff from PV Installations	245,600	245,000	255,000	262,700	270,600	
<b>TOTAL</b>	<b>21,123,100</b>	<b>21,162,900</b>	<b>22,181,400</b>	<b>23,156,800</b>	<b>24,596,700</b>	
<b>NET INCOME FROM SERVICES</b>	<b>1,173,200</b>	<b>956,500</b>	<b>1,187,600</b>	<b>1,450,000</b>	<b>1,907,700</b>	
Interest Receivable	23,100	29,300	30,800	30,800	30,800	
<b>NET OPERATING SURPLUS</b>	<b>1,196,300</b>	<b>985,800</b>	<b>1,218,400</b>	<b>1,480,800</b>	<b>1,938,500</b>	
<b>Appropriations</b>						
Revenue Contributions to Capital	-1,196,300	-985,800	-1,218,400	-1,480,800	-1,938,500	
<b>Net Increase/(Decrease) in reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Revenue Reserve brought forward</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	
<b>Revenue Reserve carried forward</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	

<b>Average Social Rent:-</b>					
<b>Increase 1st April</b>			<b>4.10%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>48 wk</b>		<b>89.37</b>	<b>93.04</b>	<b>95.83</b>	<b>98.70</b>
<b>52 wk</b>		<b>82.50</b>	<b>85.88</b>	<b>88.46</b>	<b>91.11</b>
<b>Average stock</b>		<b>4,379</b>	<b>4,367</b>	<b>4,360</b>	<b>4,370</b>

<b>Average Affordable Rent:-</b>					
<b>Increase 1st April</b>			<b>4.10%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>48 wk</b>		<b>141.47</b>	<b>147.27</b>	<b>151.69</b>	<b>156.24</b>
<b>52 wk</b>		<b>130.59</b>	<b>135.95</b>	<b>140.02</b>	<b>144.22</b>
<b>Average stock</b>		<b>118</b>	<b>144</b>	<b>196</b>	<b>268</b>

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**MAJOR REPAIRS RESERVE**

	<b>2021/22</b>		<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>Original</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Projections</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance brought forward	-	-	-	-	-
Depreciation of Dwellings	4,898,000	5,056,300	5,258,100	5,369,200	5,594,300
Depreciation of Other Assets	328,700	276,600	278,200	308,400	328,700
	<u>5,226,700</u>	<u>5,332,900</u>	<u>5,536,300</u>	<u>5,677,600</u>	<u>5,923,000</u>
Utilised to fund Capital Programme	-5,226,700	-5,332,900	-5,536,300	-5,677,600	-5,923,000
Balance carried forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**HRA CAPITAL PROGRAMME**

	<b>2021/22</b>		<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>Original</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Projections</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>EXPENDITURE</u></b>					
<b>EXISTING STOCK</b>					
Property Improvements & Major Repairs	8,846,000	7,550,300	10,407,000	10,017,000	12,126,000
Adaptations for the Disabled	500,000	500,000	500,000	500,000	500,000
Other inc repurchase of S/O Dwellings	60,000	60,000	60,000	60,000	60,000
	<u>9,406,000</u>	<u>8,110,300</u>	<u>10,967,000</u>	<u>10,577,000</u>	<u>12,686,000</u>
<b>NEW BUILD &amp; ACQUISITIONS</b>	15,000,000	8,000,000	17,000,000	25,000,000	25,000,000
<b>TOTAL</b>	<u>24,406,000</u>	<u>16,110,300</u>	<u>27,967,000</u>	<u>35,577,000</u>	<u>37,686,000</u>
<b><u>FINANCING</u></b>					
Capital Receipts	1,401,000	1,211,000	1,511,000	1,511,000	1,511,000
HRA Revenue Contribution	1,196,300	985,800	1,218,400	1,480,800	1,938,500
Leaseholder Recharges	300,000	300,000	300,000	300,000	300,000
Major Repairs Reserve	5,226,700	5,332,900	5,536,300	5,677,600	5,923,000
Grants & Shared Ownership Sales	2,687,400	1,320,300	2,187,900	5,823,800	5,957,500
Borrowing	13,594,600	6,960,300	17,213,400	20,783,800	22,056,000
<b>TOTAL</b>	<u>24,406,000</u>	<u>16,110,300</u>	<u>27,967,000</u>	<u>35,577,000</u>	<u>37,686,000</u>

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PROPERTY IMPROVEMENT & MAJOR WORKS				
Description of works	2021/22	2022/23	2023/24	2024/25
EXTERNAL IMPROVEMENTS	1,652,000	1,806,000	1,757,000	1,788,000
INTERNAL IMPROVEMENTS	591,000	679,000	698,000	4,500,000
PATHS, FENCES & WALLS	163,100	357,000	342,000	500,000
NEIGHBOURHOOD WORKS	80,000	600,000	400,000	400,000
ENERGY EFFICIENCY & OTHER SUSTAINABILITY MEASURES	300,000	1,400,000	2,000,000	2,000,000
RENEWAL OF HEATING SYSTEMS	1,040,000	607,000	621,000	363,000
MAJOR REFURBISHMENTS TO VOID PROPERTIES	740,000	820,000	650,000	650,000
WINDOWS & DOORS	960,000	1,726,000	501,000	-
ASBESTOS	280,400	250,000	250,000	250,000
SHELTERED ACCOMMODATION	175,000	80,000	80,000	80,000
DOOR ENTRY SCHEMES	131,800	2,000	2,000	2,000
STRUCTURAL WORKS	30,000	30,000	30,000	30,000
COMMUNAL WORKS	44,000	74,000	362,000	108,000
FIRE PROTECTION	150,000	275,000	150,000	150,000
LIFTS	75,000	222,000	255,000	-
NON TRADITIONAL HOMES (CORNISH UNIT PROPERTIES)	-	20,000	1,060,000	-
GARAGE IMPROVEMENTS	25,000	25,000	25,000	25,000
WARDEN CALL UPGRADE	400,000	600,000	-	-
CONCRETE REPAIRS	-	-	-	445,000
WORKS TO BUILDING FABRIC	-	10,000	10,000	11,000
FEE FOR MANAGING PROGRAMME	713,000	824,000	824,000	824,000
<b>TOTAL BUDGET FOR EXISTING PROPERTIES</b>	<b>7,550,300</b>	<b>10,407,000</b>	<b>10,017,000</b>	<b>12,126,000</b>

NEW BUILD & ACQUISITIONS				
	2021/22	2022/23	2023/24	2024/25
<b>NEW BUILD (APPROVED)</b>	3,240,100	1,724,400	2,725,400	3,300
<b>MARKET PURCHASE</b>	3,097,400	3,036,000	3,036,000	3,036,000
<b>NEW SCHEMES</b>	1,662,500	12,239,600	19,238,600	21,960,700
<b>TOTAL ESTIMATE FOR NEW BUILD &amp; ACQUISITIONS</b>	<b>8,000,000</b>	<b>17,000,000</b>	<b>25,000,000</b>	<b>25,000,000</b>

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