

## Cheltenham Borough Council

**Cabinet – 16<sup>th</sup> February 2021**

**Council – 22<sup>nd</sup> February 2021**

### **General Fund Revenue and Capital – Revised Budget 2020/21, and Final Budget Proposals 2021/22**

<b>Accountable member</b>	<b>Cabinet Member for Finance and Assets, Councillor Steve Jordan</b>
<b>Accountable officer</b>	<b>Executive Director Finance and Assets (Section 151 Officer), Paul Jones</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 summarises the revised budget for 2020/21 and the Cabinet's final budget proposals and pay policy statement for 2021/22.</p> <p>The impact of Covid-19 on the finances of local authorities, coupled with a decade of austerity and budget cuts, is unprecedented. National news tells a story of local authorities struggling to balance the books with some warning of the possibility of issuing section 114 notices without further financial support from Central Government. Since the start of the pandemic, the situation has been closely monitored by the Ministry of Housing, Communities and Local Government (MHCLG) with councils submitting monthly reports in respect of their income losses and additional expenditure</p> <p>The impact on council tax, business rates and the implications for the economy, particularly the key income streams for the council such as car parking, are matters that will challenge the medium term financial strategy. 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 Covid-19 recovery revised budget 2020/21, agreed by Full Council on 16th November 2020. The recommendations within this report aim to ensure a balanced budget is delivered in 2021/22, that sufficient revenue resources are transferred to reserves to provide a cushion to combat the medium term effects of Covid-19 and that appropriate resources continue to be directed towards our key priorities.</p>
<b>Recommendations</b>	<p style="text-align: center;"><b>Cabinet / Council</b></p> <ol style="list-style-type: none"> <li><b>1. Approve the revised budget for 2020/21.</b></li> <li><b>2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.</b></li> <li><b>3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £219.08 for the year 2021/22 based on a Band D</b></li> </ol>

property (an increase of 2.34% or £5.00 a year for a Band D property), as detailed in paragraphs 4.17 to 4.22.

4. Approve the growth proposals at Appendix 4 and outlined in Section 6.
5. Approve the savings / additional income totalling £400,000 and the budget strategy at Appendix 5.
6. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 6.
7. Approve the capital programme at Appendix 7.
8. Approve the programmed maintenance programme at Appendix 8.
9. Approve the flexible use of capital receipts strategy as detailed in Appendix 9.
10. Note that the Council will remain in the Gloucestershire business rates pool for 2021/22 (paragraphs 4.6 to 4.16).
11. Approve the Medium Term Financial Strategy (MTFS) detailed in Section 5 and Appendix 10.
12. Approve the Pay Policy Statement for 2021/22, including the continued payment of a living wage supplement at Appendix 11.
13. Approve a level of supplementary estimate of £100,000 for 2021/22 as outlined in Section 14.

<b>Financial implications</b>	As contained in the report and appendices.  <b>Contact officer: Paul Jones, Executive Director Finance and Assets.</b> <a href="mailto:paul.jones@cheltenham.gov.uk">paul.jones@cheltenham.gov.uk</a> Tel no: 01242 264365
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<p><b>Legal implications</b></p>	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>Members are not generally regarded as having a personal or prejudicial interest in the setting of the council budget and council tax. However, any member who is in arrears of council tax needs to give careful consideration to the provisions of section 106 of the Local Government Finance Act 1992. This states that if any arrears remain unpaid for at least two months then the member must disclose this at the beginning of the meeting, which is to consider the council tax calculation and shall not vote on the matter. It is a criminal offence to disregard this requirement. Any member likely to be in such a position should seek advice as quickly as possible from the Monitoring Officer.</p> <p>There is a legal requirement under the Local Government Finance Act 1992, sections 31A and 42A to set a balanced budget. The budget proposals include budgets for expenditure and income and use reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure in accordance with the Medium Term Financial Strategy.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements.</p> <p>The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above specific levels. The relevant basic amount of council tax in 2021/22 will require a referendum if it is both:-</p> <ul style="list-style-type: none"><li>a) 2%, or more than 2%, above its 2020/21 level; and</li><li>b) more than £5 above its 2020/21 level.</li></ul> <p>This means that a shire district authority will need to exceed both the percentage and cash referendum thresholds in order to be subject to a referendum; exceeding one principle but not the other would not require a referendum.</p> <p>Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.</p> <p>By approving the budgets for the capital programme, cabinet are making key decisions as to the use of the budget. Consequently, the acceptance of tenders in excess of £100,000 by the lead member (or officers if authorised under the constitution) for contracts required to deliver works, services and supplies under the approved budget headings, will not be key decisions.</p> <p>In accordance with the Council's approved Investment Strategy, the Council is able to lend money to support local public services and stimulate local economic growth. These include loans to organisations and residents within the Borough which support the priorities of the Council.</p> <p><b>Contact officer: One Legal – <a href="mailto:legal.services@tewkesbury.gov.uk">legal.services@tewkesbury.gov.uk</a> Tel no: 01684 272012</b></p>
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<p><b>HR implications (including learning and organisational development)</b></p>	<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>The Council has committed to investment in the future of apprenticeships and the budget proposals provide an additional £75,000 to the base budget which will provide for a cohort of 4 apprentices who will commence employment at the Council in September 2021. To ensure the success of the apprenticeship programme there will be a requirement for additional L&amp;OD resource to support both the line managers and apprentices through to completion of their qualification.</p> <p><b>Contact officer: Julie McCarthy</b>  <b>julie.mccarthy@publicagroup.uk Tel no: 01242 264355</b></p>
<p><b>Key risks</b></p>	<p>As outlined in Appendix 1</p>
<p><b>Corporate and community plan Implications</b></p>	<p>The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.</p>
<p><b>Environmental and climate change implications</b></p>	<p>The final budget contains a number of proposals for improving the local environment, as set out in this report.</p>

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

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

Budget Proposal (excerpt from appendix 5)	Potential community and equality impacts and any mitigating actions
<p><b>2. People and Change</b></p>	
<p>Modernisation programme</p>	<p>It is suggested that an equalities impact assessment is carried out on parts of the modernisation programme that will directly impact on staff and/or customers to ensure that individuals with protected characteristics are not in any way disadvantaged by the proposals. The EQIA will then be reported to the modernisation programme board</p>
<p><b>3. Finance and Assets</b></p>	
<p>Municipal offices - Letting of surplus office accommodation space</p>	<p>None identified</p>
<p>LGPS revaluation savings</p>	<p>None identified</p>

## 1. Background

- 1.1 In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the

financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2021. The consultation took place between the period 23<sup>rd</sup> December 2020 to 27<sup>th</sup> January 2021 and this report sets out the final proposals for 2021/22.

- 1.2 The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, in 2021/22 more than 78% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards, although Covid-19 has presented a significant new risk to the future funding of local government and the Governments 'levelling up' agenda.
- 1.3 It was expected that government reforms to local government funding would be implemented in 2021/2022. However, as announced earlier in the year, the Government will not proceed with the implementation of the Review of Relative Needs and Resources (formerly known as the Fair Funding Review) and 75% Business Rates Retention in 2021/22.
- 1.4 The Chancellor of the Exchequer announced a one year spending round on 25<sup>th</sup> November 2020 as part of the Spending Review (SR20) and in order to provide further stability, the Government announced that the reset of accumulated business rates growth will not take place in 2021/22. These decisions allow both the Government and councils to focus on meeting the immediate public health challenges posed by the Covid-19 pandemic.

## 2. Budget Assessment of the Section 151 Officer

- 2.1 Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on Housing Revenue Account to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.
- 2.2 The Section 151 Officer is satisfied that the proposed budget for 2021/22 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2021/22. The full assessment is attached at Appendix 2.

## 3. 2020/21 Budget Monitoring to December 2020

- 3.1 The budget monitoring report to the end of December 2020, also considered by Cabinet on 16<sup>th</sup> February 2021, indicates that despite a number of variances to the budget it still anticipates the delivery of services within budget in 2020/21.

## 4. Settlement Funding Assessment

- 4.1 The assumptions within these budget proposals are based on the local government 'final' finance settlement for 2021/22 which was released by MHCLG on 4<sup>th</sup> February 2021 and approved on 10<sup>th</sup> February 2021.
- 4.2 The headlines from SR20 which directly affects local government were:
  - It is a one year spending review covering 2021/2022 only;
  - Confirmation that the Fair Funding Review, Business Rates Review and Business Rates reset has been deferred by at least 12 months;

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- As the Council continues to be at the forefront of the response to Covid-19, the Government has announced another £1.55bn of un-ring-fenced grant for pressures that emerge through the first quarter of 2021/2022 – the Council's allocation in 2021/22 is £540,136 which will be transferred to General Balances to off-set additional expenditure incurred throughout the year;
- There will be an extension of the sales, fees and charges compensation scheme (which refunds 75% of eligible income losses beyond a 5% threshold) for the first 3 months of 2021/2022;
- £670m of un-ring-fenced grant funding is being provided which is aimed directly at supporting councils to meet the anticipated additional costs of providing Local Council Tax Support (LCTS) in 2021/22, resulting from increased unemployment – the Council's allocation in 2021/22 is provisionally set at £163,000 and will be used to off-set the consequential decrease in taxbase in 2021/22;
- The Government have announced that they have set aside £762m to compensate billing and major precepting authorities for 75% of irrecoverable council tax and business rates losses accrued during 2020/21 – we await the detail of how this will be allocated;
- The council tax referendum limit will remain at 1.99%. District Councils will be able to increase council tax by up to £5 per annum if this is greater than 2%;
- An additional £254million resource funding to tackle homelessness and rough sleeping, including the £103m announced at Budget 2020 for accommodation and substance misuse support next year;
- Legacy New Homes Bonus (NHB) payments in respect of year 8 and year 9 will be honoured. There will be a new round of 2021/22 payments (year 11) based on the same calculation process. Whilst the Council did not qualify for any Year 11 payments as a direct result of Covid-19, it will receive the bonus payments in respect of 99 new affordable housing units delivered which equates to £27,720;
- Next year's Baseline Funding Levels will be frozen because government has decided to freeze the multiplier to help businesses. Councils will be compensated for this and the money will go through the grant for under-indexation instead, and it will be calculated in the usual way;
- Funding to remove negative Revenue Support Grant (RSG) has been continued for 2021/22;
- Decisions on wages are the responsibility for individual councils. The Government expects local government to exercise restraint about pay, given the wider macro-economic climate;
- From 26<sup>th</sup> November, the Government has implemented reforms to the Public Works Loan Board (PWLb). The changes to the lending terms are intended to stop councils that invest primarily for yield from borrowing from the PWLB. Councils will still be free to borrow for service delivery, housing, regeneration, preventative action (to invest in local businesses to protect the local economy) and government priorities.

**4.3** In addition to the above, the finance settlement for 2021/22 provided for a new one-off grant in 2021/22 referenced as the 'Lower Tier Services Grant'. This is a new grant that has been funded from the NHB returned surplus. It would appear that its function is to reduce the range of increases in Core Spending Power (CSP), largely by "levelling up" those with the lowest taxbases, and to provide a "floor" increase for every authority (i.e. to ensure that no authority's CSP is lower in 2021/22 than it was in 2020/21). The Council's allocation in 2021/22 is £121,000.

**4.4** The Council's approved Medium Term Financial Strategy (MTFS) was predicated on the basis that council tax will increase by £5 per annum. However, the proposal to retain business rates growth achieved between 2013 and 2020 for a further year alongside a continuation of the removal of negative RSG should have a positive effect on the councils funding in 2021/22, notwithstanding the longer-term implications of Covid-19.

**4.5** The MTFS assumed legacy payments for NHB would be honoured for years 8 and 9 which has been confirmed.

### **Business Rates Retention (BRR)**

- 4.6** In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of the risks and rewards and agreement of satisfactory governance arrangements.
- 4.7** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 4.8** The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.
- 4.9** The anticipated level of business rates due to this Council in 2021/22, despite the severe impact of the Covid-19 pandemic (particularly in 2020/21 - see below), remains above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.
- 4.10** 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 2021/22 as it will result in a reduction in the levy payment due to central government, which will be distributed in accordance with the governance arrangements.
- 4.11** One of the key documents in the budget setting process is the estimate of business rates yield, reported on the National Non Domestic Rates return (NNDR1), which is submitted to the MHCLG. The NNDR1 return was submitted to the MHCLG by the deadline of 31<sup>st</sup> January 2021 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and, despite the severe impact of Covid-19, the estimated net surplus from retained business rates against the baseline funding position in 2020/21 is £4,271 (revised estimate) and in 2021/22 £1,184,585.
- 4.12** The impact of the Covid-19 pandemic on the business rates collectable in 2020/21 is severe, however its impact on the council's retained NDR income is more limited due to high levels of central government support.
- 4.13** In 2020/21 the government is supporting the council in three ways:
- by compensating it fully for its 40% share of the additional business rate reliefs awarded by the government to Retail businesses during 2020/21 (this amounts to an estimated £13.4 million in additional Section 31 grant)
  - by allowing it to spread the estimated losses arising from other changes (rateable valuation reductions, increased unoccupied relief and write-offs, etc.) over three years (normally these impact fully in the following year)
  - by providing a further grant (the Local Income Tax Guarantee Scheme) to compensate the authority for up to 75% of the losses arising from the other changes in 2020/21. Although the full details of this grant are yet to be finalised, on the basis of current announcements the scheme compensates the authority for a large proportion of losses due to temporary valuation reductions (resulting from for example 'material changes in circumstances'), and the need to significantly increase provisions against higher levels of uncollectable debts and appeals.
- 4.14** Due to the expected receipt of the grants in 2020/21 but the need to spread the losses over the next three years, it is proposed to transfer the additional income receivable in 2020/21 to the Business Rates Retention Reserve, for use in future years to compensate for the impact of the increased losses (deficits) in those years. This is shown in the table below.
- 4.15** Although there is likely to be some impact of the pandemic on business rates income in 2021/22,

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in the absence of indications of whether further government support will be available for that year, the impact is currently assumed to be more limited than in 2020/21. If losses are more severe than currently estimated, it is likely (and anticipated) that further government support will be forthcoming.

- 4.16** A request from Government to delay billing until after the budget being held on 3<sup>rd</sup> March 2021, raises the prospect of further, more targeted changes for business rates in 2021/22.

	<b>2020/21 Original 50% system £</b>	<b>2020/21 Revised 50% system £</b>	<b>2021/22 Original 50% system £</b>
Retained business rates	22,546,722	7,496,004	21,944,973
Tariff payable to government	(19,244,897)	(19,244,897)	(19,244,897)
Grant to compensate for government decisions	1,813,252	14,658,481	1,417,489
Estimated levy payable to government after Pool surplus	(395,374)	(63,874)	(91,537)
<b>Net retained business rates</b>	<b>4,719,703</b>	<b>2,845,714</b>	<b>4,026,028</b>
Less Baseline Funding (target level of net retained rates)	(2,841,443)	(2,841,443)	(2,841,443)
<b>Net surplus on business rates against baseline funding</b>	<b>1,878,260</b>	<b>4,271</b>	<b>1,184,585</b>
Deficit adjustment re 2018/19	(423,557)	(423,557)	-
Deficit adjustment re 2019/20	(153,395)	(153,395)	(128,170)
Deficit adjustment re 2020/21	-	15,050,718	(13,966,426)
<b>One-off adjustments re previous years' deficits</b>	<b>(576,952)</b>	<b>14,473,766</b>	<b>(14,094,596)</b>
<b>Net retained business rates (after one-off deficit adjustments)</b>	<b>4,142,751</b>	<b>17,319,480</b>	<b>(10,068,568)</b>
Local Tax Income Guarantee Scheme (Government Grant)	-	1,171,922	-
Transfer (to) / from BRR earmarked reserve	-	(14,417,826)	13,810,279
<b>Net retained business rates</b>	<b>4,142,751</b>	<b>4,073,576</b>	<b>3,741,711</b>

## **Council Tax**

- 4.17** 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 1.99 per cent for all local authorities in 2021/22. However, shire districts will be allowed increases of up to and including £5, or up to 1.99 per cent, whichever is higher.
- 4.18** With increased pressure to deliver services with reducing government support, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 4.19** The taxbase has decreased by 0.40% in 2021/22 which reflects an increase in the number of recipients claiming Local Council Tax Support (LCTS) as a result of the economic conditions in 2021/22 and a slowdown in housing supply as a result of Covid-19. This has resulted in a reduction of income from Council Tax of £114,776 from that estimated 12 months ago, which has been offset in 2021/22 through an LCTS Section 31 grant.
- 4.20** With this in mind, the Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.
- 4.21** The uncertainty surrounding the fair funding review, the business rates reset and the future of New Homes Bonus post 2022, places a greater reliance on council tax as our main source of income.
- 4.22** Therefore, the Cabinet is proposing a 2.34% increase in council tax in 2021/22; an increase of £5.00 for the year for a Band D property.

## **Collection Fund**

- 4.23** In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund deficit for 2020/21 is £23,400 which will be debited to the General Fund in 2021/22.
- 4.24** The Collection Fund deficit is not passed on to the Parish Councils but is shared proportionately by the three major preceptors.

## **5. The Cabinet's general approach to the 2021/22 budget**

- 5.1** In the current exceptionally difficult national funding situation, coupled with the devastating financial impact of Covid-19, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.
- 5.2** The key mechanism for carrying out this strategy is the commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.
- 5.3** The commercial strategy was adopted by Full Council in February 2018 which set a clear vision for Cheltenham “to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We have generated significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22”.
- 5.4** Part of our drive towards financial sustainability includes identifying new opportunities to

generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.

- 5.5** The proposals within these budget proposals 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 lead the recovery from Covid-19.
- 5.6** The Cabinet believes the longer term approach to finding efficiencies to close the funding gap is fundamentally through economic growth and investment and the efficient utilisation of our assets; linking our Place and Commercial Strategies to 'Invest in Cheltenham, for the benefit of Cheltenham'. This has seen a place focused investment approach offering long term investment, income through rents as well as other social and financial benefits. The Executive leadership team's collaborative approach has enabled considerable progress.
- 5.7** The budget strategy indicates broadly how the Council will close the projected funding gap over the period 2021/22 to 2024/25 with the stated aim to become financially sustainable. In future years, it includes targets rather than necessarily specific worked up projections of efficiency savings and additional income to allow the Executive leads autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs. Holding adequate information upon which to base the allocation of scarce resources is essential to address under-met needs. The detailed schedule of target savings is provided within Appendix 3 and the detailed Medium Term Financial Strategy is at Appendix 10.
- 5.8** The starting point for constructing the 2021/22 budget has been a projected funding surplus of £0.543m. This has predominately been created by the innovative proposals agreed by Full Council on 16<sup>th</sup> November 2020 to provide a cushion for the medium term impact on losses from sales, fees and charges, council tax and business rates, in addition to the additional support provided by Central Government.
- 5.9** 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 1% for 2021/22, with an additional 1% held in contingency;
  - Budgeted for an increase in Members allowances of 1% for 2021/22, with an additional 1% held in contingency;
  - Frozen **all** fees and charges at 2020/21 levels;
  - Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

## **6. Growth Proposals**

- 6.1** In previous years, budgets have been prepared under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. However, the Council's aspirations to modernise its offer, become financially sustainable, lead the recovery from Covid-19 and be carbon neutral by 2030, requires a different approach to deliver the outcomes defined above.

- 6.2** Cheltenham Borough Council (CBC) was one of, if not the first council to publish a Recovery Strategy. That early publication and consultation enabled the council to clearly signal recovery aims and objectives. The economy is in a difficult position nationally and being able to respond dynamically will be key to supporting the rest of the town to recover.
- 6.3** 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.
- 6.4** Despite the pandemic, the Council 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, Gloucestershire and the wider region <https://www.goldenvalleyuk.com/>
- 6.5** The Golden Valley Development – home of Cyber Central UK sets a vision for a campus style development focused around innovation in the cyber sector, driving forward the UK's mission to be a science superpower and global lead in cyber security. It also seeks to deliver up to 4,000 homes, directly contributing to another CBC priority regarding housing delivery and achieving a target of 40% affordable homes. The Golden Valley Development is a prominent feature within the Council's approved Medium Term Financial Strategy. Initial estimates suggest that this site alone could generate significant additional business rates, of which under existing regulations, Cheltenham would retain 40%. It will also generate additional council tax, community infrastructure levy (CIL), planning and building control income.
- 6.6** On 16<sup>th</sup> November 2020, Full Council committed £1.5m additional resource to the Golden Valley Development. The proposals within this budget aim to direct additional resources to other strands that will help to deliver the Recovery Strategy and help the Council to meet its ambition of becoming carbon neutral by 2030.

### **Carbon neutrality**

- 6.7** CBC's stated ambition to be carbon neutral by 2030 is a credible and commendable plan and the Council is committed to playing a more central role in developing a carbon reduction plan for the Borough as a whole. There is an opportunity now to draw on the goodwill of stakeholders and provide a strategic overview to ensure that each organisation is making progress at a similar rate and nobody is left behind. The carbon neutral ambition is not something the council can achieve without support and collaborating with its stakeholders.
- 6.8** The Council submitted a bid to the [Public Sector Decarbonisation Grant Scheme](#) (PSDS) to the value of £382,600.00 for a Building Energy Management System which was successfully approved on 9<sup>th</sup> February 2021.
- 6.9** Sub-Metering Systems and a Building Energy Management System (BEMS) could realistically reduce energy costs by 20-25% across each of CBC's built assets. Executing an enterprise-wide carbon reduction plan and delivering net zero for infrastructure energy emissions will be underpinned by data analysis, both to inform interventions and to measure progress against milestones and KPIs. Such analytics will be provided by a specialist Utility Management Bureau (UMB).
- 6.10** The Council has publicly committed to reducing weed spraying and supporting biodiversity. At the climate change conference last month, one of the topics for debate was biodiversity and, as we all know, there is growing support for this. There are growing concerns about the risks to human health from unrestricted use of glyphosate as an herbicide.
- 6.11** Whilst recognising that weeds are just plants in the wrong place and much can be done to

change perceptions, weeds that grow large in paved areas are a problem in terms of the damage they do to surfaces. It is important to also recognise the link with weather patterns on leaf fall and heavy rain which contributes significantly to detritus and debris in gullies and at kerbside which contributes to blocked drains and minor localised flooding but does allow more weed growth. Whilst mechanical sweepers help along with joint drain and gulley clearances with Gloucestershire County Council highways, frequently the only solution is manual clearance in a growing number of places.

- 6.12** To support biodiversity and the climate emergency the authority planned to stop weed spraying and move to more environmentally friendly, albeit more manual methods of weed control. COVID-19 and the weather conditions in 2020 created additional challenges to this approach. Following trials of hot foam, electricity and other alternatives to weed spraying which weren't that successful, Ubico have delivered more manual methods of weed control, within existing resources, this year. Ubico have trialled manual weed rippers, hoeing, weed ripper brushes on a hired in pavement sweeper and greater use of the jet washer in the town centre. It should be noted that reduced footfall on paved areas due to COVID-19 lockdowns and restrictions along with the differing weather patterns experienced now have worsened weed growth during 2020/21
- 6.13** Cabinet approved an updated environmental services policy in October 2020 which set out how the authority would deal with weed control moving forward and it did highlight that more manual weed control methods were likely to be more expensive. Within the financial year 2020/21 this was achieved within available resources by utilising grounds maintenance underspends within the Ubico contract sum. There is no provision within the Ubico contract sum for 2021/22 to continue the weed control activity that has been required in response to complaints from members, businesses and residents received during 2020/21.
- 6.14** The proposals within this growth proposal is for a 50% reduction in weed spraying by doing 1 targeted weed spray at the end of May 2021 to ensure we minimise the requirements for manual weed removal and damage to surfaces from large weeds. The Ubico contract sum for 2021/22 has £17,500 built in for carrying on weed spraying. An increase in the contract sum of £21,000 for 2021/22 will support biodiversity as articulated above.

### **Economic Development**

- 6.15** A key priority within our recovery strategy surrounds revitalising and reshaping the economy. 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 High Street, and the imaginative use of our open spaces.
- 6.16** Working with partners such as Cheltenham Borough Homes and the Cheltenham Economic Recovery Task Force we aim to regenerate sites within the Borough, including those owned by the Council. The Council intends to provide clear leadership to ensure the future sustainability of the High Street, taking into account reforms to planning.
- 6.17** In order to deliver this commitment, additional dedicated resource is required and the Cabinet's budget proposals therefore provide an additional £75,000 to the base budget to ensure permanent resource is available to lead on recovery.

### **Apprenticeship Programme**

- 6.18** Covid-19 has had a devastating impact on the UK's employment, and with the unfortunate fact that young people have been hardest hit means that we are at risk of losing an entire generation. The Cabinet recognises the importance of apprenticeships in helping the UK economy recover post Covid-19, and this has been acknowledged in the Chancellor's Plan for Jobs, which was announced early July.

- 6.19** Data from the Department of Education reveals that employer vacancies for apprentices in April and May 2020 were 2,020 and 1,850, which compares to 10,400 and 12,580 in the same months of 2019, respectively.
- 6.20** Although this significant 85% drop in apprenticeship vacancies is an exceptionally dismal statistic, it is reassuring that the government is now willing to support apprenticeships and invest sizably to encourage employers to take on more apprentices. This is the optimum time for employers to harness this funding and take on apprentices to further support their individual business, as well as helping the wider Covid-19 economic recovery plan.
- 6.21** The Cabinet is committed to show leadership through investment in the future of apprenticeships and these budget proposals provide an additional £75,000 to the base budget which will provide for a cohort of 4 apprentices who will commence employment at the Council in September 2021.
- 6.22** The list of proposals for growth is included in Appendix 4.

## **7. Treasury Management**

- 7.1** Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 7.2** Investment interest rates will probably remain very low in the medium term until there is more economic certainty following Covid-19 and Brexit. Returns from traditional fixed term cash deposits are minimal so growth has been achieved through alternative investment sources such as investment in property assets and multi-asset funds which include exposure to the bond and equity markets.

## **8. Reserves**

- 8.1** Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This assessment is included within Appendix 2.
- 8.2** 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.
- 8.3** A projection of the level of reserves to be held at 31st March 2021 and 31st March 2022 respectively is detailed in Appendix 6.

## **9. Capital Programme**

- 9.1** The proposed capital programme for the period 2020/21 to 2022/23 is at Appendix 7.
- 9.2** 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, investment at West Cheltenham and Gloucestershire Airport, investment to facilitate the Council's ambition to become carbon neutral by 2030 as well as delivering on our commitment to provide more housing in the Borough.

## **10. Property Maintenance Programmes**

- 10.1 The budget proposals include the 2021/22 property maintenance programme, which has been reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £474k to planned maintenance.

## **11. Pay Policy Statement**

- 11.1 Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.
- 11.2 The Pay Policy attached at Appendix 11 includes the following key requirements of the Localism Act 2011:
- policy on pay for each of the 'in scope' Officers;
  - policy on the relationship between Chief Officers and other Officers;
  - policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

## **12. Reasons for recommendations**

- 12.1 As outlined in the report.

## **13. Consultation and feedback**

- 13.1 The formal budget consultation on the detailed interim budget proposals took place over the period 23<sup>rd</sup> December 2020 to 27<sup>th</sup> January 2021. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience, predominately through its social media channels. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals.
- 13.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 14<sup>th</sup> January 2021 and comments have been fed back to the Overview and Scrutiny Committee and the Cabinet.
- 13.3 Formal meetings to discuss the budget were also held with C5 Parish Council's and the Voluntary and Community Sector (CVS). Specific responses to the budget proposals with responses from the Cabinet are provided at Appendix 12.

## **14. Supplementary Estimates**

- 14.1 Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2021/22 to be met from the General Reserve, the same level as in 2020/21.

## **15. Alternative budget proposals**

- 15.1** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Executive Director Finance and Assets (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed changes are properly captured.
- 15.2** It is also important that there is time for Members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

## **16. Final budget proposals and Council approval**

- 16.1** The Cabinet has presented firm budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.
- 16.2** If it accepts the recommendation of the Cabinet, without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.
- 16.3** An in-principle decision will automatically become effective 5 working days from the date of the Council's decision, unless the Leader informs the Executive Director Finance and Assets in writing within 5 working days that she objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.
- 16.4** In that case, another Council meeting will be called within 7 working days of the date of appeal when the Council will be required to re-consider its decision and the Leader's written submission. The Council may (i) approve the Cabinet's recommendation by a simple majority of votes cast at the meeting or (ii) approve a different decision which does not accord with the recommendation of the Cabinet by a majority. The decision will then become effective immediately.

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

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

<p><b>Report author</b></p>	<p><b>Paul Jones, Executive Director Finance and Assets (Section 151 Officer)</b></p> <p><b>Tel. 01242 264365;</b></p> <p><b>e-mail address paul.jones@cheltenham.gov.uk</b></p>
<p><b>Appendices</b></p>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Section 151 Officer budget assessment</li> <li>3. Summary net budget requirement</li> <li>4. Growth</li> <li>5. Savings / additional income</li> <li>6. Projection of reserves</li> <li>7. Capital programme</li> <li>8. Programmed Maintenance programme</li> <li>9. Flexible use of Capital Receipts Strategy 2021/22</li> <li>10. Medium Term Financial Strategy (MTFS)</li> <li>11. Pay Policy Statement</li> <li>12. Budget Consultation</li> </ol>
<p><b>Background information</b></p>	<ol style="list-style-type: none"> <li>1. Covid-19 recovery revised budget 2020/21 (Council 16<sup>th</sup> November 2020)</li> <li>2. General Fund Revenue and Capital – Interim Budget Proposals 2021/22 (Cabinet 22<sup>nd</sup> December 2020)</li> <li>3. Budget Monitoring Report 2020/21 position as at December 2020 (Cabinet 16<sup>th</sup> February 2021)</li> </ol> <p><a href="https://questions-statements.parliament.uk/written-statements/detail/2021-02-04/hcws764">https://questions-statements.parliament.uk/written-statements/detail/2021-02-04/hcws764</a></p> <p><a href="https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2021-to-2022">https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2021-to-2022</a></p> <p><a href="https://www.gov.uk/government/publications/final-local-government-finance-report-2021-to-2022">https://www.gov.uk/government/publications/final-local-government-finance-report-2021-to-2022</a></p>

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	3	15	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	
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	

	loss of major business and the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.							revenues retained by the Council.  The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot.  Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.			
1.03	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	ED Finance and Assets	15/12/10	4	4	16	Reduce	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	ED Finance and Assets	
1.07	If the assumptions around government support, business rates income, impact of changes to council tax	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	

	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	13/12/10	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	

**STATEMENT OF THE SECTION 151 OFFICER UNDER THE REQUIREMENTS OF  
SECTION 25 OF THE LOCAL GOVERNMENT ACT 2003**

**ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES 2021/2022**

**1. INTRODUCTION**

The Local Government Act 2003 Section 25 includes a specific duty on the Chief Finance Officer (Section 151 Officer) to make a report to the authority when it is considering its annual budget and council tax levels. The report must deal with the robustness of the estimates and the adequacy of the reserves included within the budget. (For the purpose of the Act 'reserves' includes 'general fund balances'.) The Act requires the Council to have regard to the report in making its decisions at the Council's budget and council tax setting meeting in respect of 2021/22.

In making this report I have considered the risks arising from it, outlined below, and the Council's mitigating actions in arriving at my conclusions which, in summary are:

- Supplies and services and staffing budgets are sufficient to maintain services as planned.
- Budgeting assumptions for treasury management activity reflect the impact of sustained low interest rates and diversification of investments.
- The approach to budgeting for income is prudent given the commitment from Central Government to reimburse Council's 75% of its losses from sales, fee and charges in the first quarter.
- The approach taken to using the New Homes Bonus to support the base revenue budget is prudent and is consistent with the Government's statement that Councils are free to spend the Bonus as they choose, including on front-line services and keeping council tax low.
- The proposal to increase council tax is required to ensure the viability of this Council in future years without having to make significant cuts to front-line services.
- The medium term financial planning assumptions, including future cuts in government support, are prudent and the continued development and revision of the budget strategy for closing the projected budget gap is providing a planned and measured approach to meeting future financial challenges.
- The approach to financing maintenance is acceptable. Looking ahead, the need to model and prioritise future investment aspirations will become critical if the Council is to meet some of the targets within the Medium Term Financial Strategy (MTFS).
- The level of reserves, including General Balances, is satisfactory.

**2. ROBUSTNESS OF ESTIMATES**

Budget estimates are assessments of spending and income made at a point in time, based on service needs and known expenditure patterns. The statement about the

robustness of estimates cannot give a guaranteed assurance about the budget, but gives members reasonable assurances that the budget has been based on the best available information and assumptions.

In order to meet the requirement of assessing the robustness of estimates the Section 151 Officer will consider and rely upon the key processes that have been put in place:

- the issuing of clear guidance to Service Managers on preparing budgets through the annual budget strategy report;
- peer review by finance staff involved in preparing the standstill base-budget, i.e. the existing budget plus contractual inflation;
- the use of in-year budget monitoring to re-align budgets in line with projected changes for 2021/2022;
- a medium term planning process that highlights priority services;
- a review of the corporate risk register;
- a service review by the Cabinet, Executive Leadership Team and Service Managers of detailed budget and proposed savings and their achievability; and
- Finance staff providing advice throughout the process on robustness, including vacancy factors, increments, current demand, and income levels.

Notwithstanding these arrangements that are designed to test the budget throughout its various stages of development, considerable reliance is placed on Service Managers having proper arrangements in place to identify issues, project demand data, to consider value for money and efficiency and record key risks within their operational risk register.

The table below identifies assumptions made during the budget process and comments upon the risks and decisions taken when preparing the budget.

Budget Assumption	Financial Standing and Management
1. The treatment of demand led pressures.	<p>Service Managers will be expected to manage changes within their budgets by re-prioritising or by taking steps to reduce expenditure where income streams decrease significantly. Undoubtedly, additional expenditure will be incurred as a result of Covid-19 which has been recognised by Central Government through a grant in 2021/22 amounting to £540,136. Where this is not possible it will be necessary to use the working balance or earmarked reserves on the understanding that they may need to be restored in future years.</p> <p>After significant delays to the introduction of UC, the full rollout began in Cheltenham in December 2017. There are currently 1,438 claimants (January 2021) and under present regulations there could eventually be over 2,000, potentially placing considerable pressure on rent arrears. Cheltenham Borough Homes (CBH) is conducting a proactive campaign to provide support and information to all tenants affected by these changes. Currently 767 accounts are in arrears with approximately 350 direct payment orders in place. The impact on arrears will be closely monitored and the HRA budget proposals reflect an increasing provision for bad debts of £32,000 from the revised forecast.</p>

Budget Assumption	Financial Standing and Management
<p>2. The treatment of inflation and interest rates.</p>	<p>The following assumptions have been made in the preparation of the Medium Term Financial Strategy in respect of inflationary pressures:</p> <ul style="list-style-type: none"> <li>• Pay awards are modelled at 2% per annum from 2022/23. In 2021/22 pay inflation at 1% for 2021/22 has been budgeted, with an additional 1% held in contingency.</li> <li>• Employer’s Superannuation contributions – agreed until 2023 through the latest triennial valuation and through agreement to pay the required secondary sum payments to the Local Government Pension Scheme (LGPS) as an up-front payment for the next 3 years future liability. Future uncertainty in the economy / fund performance may increase or decrease pension fund deficits although budgeting assumptions follow actuarial advice. Current modelling and results support the current strategy which has ensured the Council is in a positive cash-flow position, resulting in an improved funding level.</li> <li>• Contract inflation has been allowed for at the appropriate contractual rate</li> <li>• In line with previous practice, general inflation has not been provided for unless the relevant professional officer has indicated that there are inflationary pressures. Whilst this creates natural efficiency savings it could lead to insufficient budget to maintain service levels. In-year increases will need to be managed.</li> <li>• The Council provides a number of demand led services e.g. green waste collection, car parking, building control charges, etc. The estimates for 2021/22 have been frozen in line with 2020/21 budget estimates to recognise the support being provided by Central Government and the uncertainty surrounding recovery from Covid-19. The impact on council tax, business rates and the implications for the economy, particularly the key income streams for the council such as car parking, are matters that will challenge the medium term financial strategy.</li> <li>• 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 four years before a further review. The CPI for September 2020 was 0.5% thus allowing a rent increase for 2021/22 of 1.5%. Whilst this is a reduction in the level of income previously projected for the HRA it is good news for tenants who will see a lower increase in their rent at this challenging time.</li> <li>• The treasury management strategy continues to diversify into pooled funds which will expose the Council to investments within property, bonds and equities. These funds have the advantage of providing wide diversification of investment risk, coupled with the services of professional fund managers in return for a fee. These funds offer enhanced returns over the longer term, but are more volatile in the short-term but will allow the authority to diversify into asset classes other than cash.</li> <li>• The Council adheres to the CIPFA Code of Practice for Treasury Management 2011 and updates its policy and strategy statements annually. The Capital Strategy and Investment Strategy is reviewed annually to ensure security of public money. Our treasury advisors continue to advise the Council and Treasury Management Panel on policy.</li> </ul> <p>Risks around inflation and interest rate variations have been built into my assessment of the budget. In-year increases will need to be managed but may need to be funded from General Balances and subsequently be built into base budget in future years.</p> <p>The recommended minimum HRA revenue reserve to cover contingencies is £1.5m. The three year projections forecast a reserve balance of £1.5m at 31st March 2024.</p>

Budget Assumption	Financial Standing and Management
<p>3. Estimates of the level and timing of capital receipts.</p>	<p>Property services need to ensure our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough.</p> <p>In November 2020, Full Council agreed its Covid-19 recovery budget alongside a revised Minimum Revenue Provision (MRP) policy and a flexible use of capital receipts strategy.</p> <p>Surplus assets and assets generating a low yield have been identified for disposal to realise c. £4m in capital receipts whilst also contributing to the stimulation of the local economy. A strategic review of our property portfolio has been undertaken to ensure that the council's assets make the maximum contribution possible to support the MTFS.</p> <p>Housing stock sales through Right to Buy (RTB) are estimated to be at 20 per annum. These receipts will be ring-fenced towards the supply of new housing.</p>
<p>4. The treatment of efficiency savings/ productivity gains.</p>	<p>The majority of savings proposals for 2021/2022 are already in progress and no slippage has been identified. This should not undermine our ability to keep expenditure within budget in 2021/22 although provision is made for slippage within working balances.</p>
<p>5. Government support.</p>	<p>The following assumptions have been made in the preparation of the Medium Term Financial projections in respect of Government support:</p> <ul style="list-style-type: none"> <li>• The estimates for 2021/22 are based on the final financial settlement notified by the Ministry of Housing, Communities and Local Government (MHCLG) on 10<sup>th</sup> February 2021.</li> <li>• The medium term financial projections assume a full business rates reset under the fair funding review, which will only allow for growth achieved in 2021/22 to be retained. It also assumes this Council will no longer receive any Revenue Support Grant (RSG) and that New Homes Bonus (NHB) will be phased out in its entirety by 2023/24. The Government are currently consulting on a replacement scheme for NHB which Officers are working on its submission. The deadline for responses is 7<sup>th</sup> April 2021.</li> <li>• The budget requires £0.747m of New Homes Bonus (NHB) to support the revenue budget in 2021/22. The fact that this source of funding is being top-sliced from the RSG, means that the Council has little alternative but to regard this money as an important part of its income stream and is therefore assumed to be base funding across the period of the MTFS, albeit phased out.</li> <li>• The budget for 2021/22 includes assumptions for business rates based on estimates of collection rates, bad debts, appeals, reliefs (mandatory and discretionary) and assumed 40% share under the 50% retention system. The medium term financial projections assume that a full reset will be implemented as part of the fair funding review. As in previous years, an earmarked reserve is maintained to help mitigate the risk of any future fluctuations.</li> </ul> <p>Despite the uncertainty over future government funding, I am comfortable that the Council has been sufficiently prudent in budgeting for reductions in government support, including dealing with the uncertainty of business rates and NHB receipts.</p> <p>The Government has lifted HRA borrowing restrictions, abolishing the debt cap and left the level of borrowing to be controlled by the prudential code. This should allow a significant increase in the new build programme subject to the identification of appropriate sites and financial viability.</p>

Budget Assumption	Financial Standing and Management
<p>6. Proposed level of council tax.</p>	<p>When setting the level of council tax, members should always consider the medium term outlook to ensure that a sustainable budget position is maintained</p> <p>Members also need to acknowledge that the Localism Act 2011 contains requirements for local authorities to hold a referendum where council tax is proposed above a specific increase (the greater of up to 2% or £5 in 2021/22).</p> <p>Council tax is the main source of locally-raised income for this authority and has previously been referred to by MHCLG as ‘an important source of funding which is used to meet the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants.</p> <p>When calculating the core grant settlement, the Government assumes that all Shire Districts will increase their Council Tax by the threshold amount for 2021/22. The indicative grant levels for the period 2021/22 also assumes that all local authorities will increase their Council Tax levels up to the threshold each year.</p> <p>CIPFA has published a financial resilience index and their recommended good practice is that this is referred to within the s25 report for 2021/22.</p> <p>One of the indicators is the council tax requirement as a ratio to net revenue expenditure. This indicator provides a measure of the relative importance of council tax and grants. A low ratio suggests higher dependency on grants which may suggest that a council may experience financial difficulties as grants diminish further. The ratio for this council in 2021/22 is 66.48% and is projected to rise over the duration of the MTFS which equates to this council having a diminishing dependency on grants.</p> <p>There has been an important shift in the Government’s principles, most noticeably, the shift away from freezing council tax to using council tax to generate additional funding. Given the relevance of the indicator outlined above, I support a council tax increase of 2.34% (equivalent to a £5 increase on a Band D property) as this will avoid the requirement for a referendum (cost c. £50k) for council tax increases over the government cap.</p>

Budget Assumption	Financial Standing and Management
<p>7. Medium Term Financial Strategy (MTFS) – the strategy for closing the projected funding gap.</p>	<p>Sound financial management requires that the Section 151 Officer and Councillors have full regard to affordability when making recommendations about the local authority’s future revenue and capital programme.</p> <p>The 2021/22 budget includes medium term financial projections of the projected funding gap and indicates broadly how the Council may close the projected funding gap over the period 2022/23 to 2024/25. The Medium Term Financial Strategy outlines the strategy for closing the funding gap and includes efficiency savings and income targets rather than necessarily specific worked up projections of cost savings.</p> <p>The Council has traditionally provided ‘one off’ funding for investment in systems or staff costs i.e. additional short-term resource, redundancy / pension costs funded from savings or earmarked reserves.</p> <p>The Council’s approach to modelling and monitoring the MTFS and planning for meeting future funding gaps outlined in the budget strategy demonstrates robust and effective planning for closing the funding gap and is effectively scrutinised.</p> <p>The Council is developing a more commercial approach to service provision with the aim of becoming self-financing and less dependent of Central Government funding. This approach has helped to refocus on delivering a sustainable MTFS. Developing strategies for regeneration and economic growth which will generate revenue for the council to offset the reductions in government funding streams will be a key strand of the development of the MTFS.</p>
<p>8. The authority’s capacity to manage in-year budget pressures.</p>	<p>The authority has proven its ability to manage in-year budget pressures with no recorded overspends in recent years. Improvements to our Devolved Budgetary Control scheme have improved our management of cash limited budgets. The recent recruitment of a dedicated Head of Finance (Deputy Section 1515 Officer) will provide additional resilience and performance to managing budgets effectively.</p>
<p>9. The strength of the financial information and reporting arrangements.</p>	<p>The Council has strong internal and external reporting standards. Quarterly management reports are made to the Cabinet. These procedures have allowed firm management of any projected overspends in the past. These reports have been enhanced with detailed financial commentary and clear direction with regards to in-year virements which aids transparency and full scrutiny.</p>
<p>10. The authority’s virement and end of year procedures in relation to budget under/overspends at authority and departmental level.</p>	<p>The Council’s virement and carry forward rules are clear. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves. The Council’s Devolved Budgetary Control scheme gives managers flexibility to manage budget variations within their range of services. Service overspends may be clawed back from future budgets.</p>
<p>11. The adequacy of the authority’s insurance arrangements to cover major unforeseen risks.</p>	<p>The Council’s insurance arrangements are considered adequate. The Council does self-insure on small claims and has reserves to meet any excesses relating to claims. No uninsured risks have been identified.</p>

Budget Assumption	Financial Standing and Management
12. The approach to financing the maintenance programme.	The Council has £475k built into the base revenue budget to fund the annual maintenance budget of the property portfolio. The maintenance schedule of planned commitments has been established for 2021/22 and will be reviewed by the Asset Management Working Group on an annual basis.

Given consideration of the above factors and the detailed scrutiny of the budgets that has been undertaken this year I can give positive assurance on the robustness of the budget estimates. The greatest risk to this assurance is Covid-19 although the rollout of vaccines is a positive step forward in the fight against this global pandemic.

### 3. ADEQUACY OF RESERVES AND BALANCES

The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Within the statutory and regulatory framework it is the responsibility of the Section 151 Officer to advise the authority on its level of reserves that should be held and to ensure that there are clear protocols for their establishment and use. Councillors, on the advice of the Section 151 Officer, should make their own judgements on such matters taking into account local circumstances. The adequacy of reserves can only be assessed at a local level and requires a considerable degree of professional judgement. The assessment needs to be made in the context of the authority's MTFs, its wider financial management, and associated risks over the lifetime of the plan. The Secretary of State has reserved powers to set a minimum level of reserves to be held by councils if required.

The CIPFA resilience index also has a number of indicators measuring reserves. The indicators suggest that compared to other district councils, both our earmarked reserves and our unallocated reserves (i.e. general balances) are in the lower quartile. Whilst this is useful information, it needs to be more qualitative, which is around whether reserves are being used in line with policy. There appears to be an assumption within these indicators that having high levels of reserves is a good measure which doesn't necessarily fit well with the equity perspective that Council's should not be sitting on high levels of reserves as this is being funded by local taxpayers that are not getting any benefit.

Reserves should not be held without a clear purpose. Should it be considered that the level (or proposed levels of reserves) is inadequate then a report must be made to Council outlining how this has arisen and what action should be taken to prevent a reoccurrence in subsequent years.

As part of the annual budget setting process and in reviewing the MTFs, the Council needs to consider the establishment and maintenance of reserves. These can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;

- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds (earmarked reserves) to meet known or predicted requirements.

### GENERAL (WORKING) BALANCES – CALCULATION OF OPTIMUM LEVEL

There are two approaches for deciding the optimum level of working balance. One approach is to simply apply a percentage range to the Net Budget Requirement, currently assessed as between 5% and 10% or a level between £0.708m and £1.416m. The alternative is a level based upon a risk assessment of the budget. In 2021/22 the Section 151 Officer has used a risk based approach to assess the appropriate level of general balances.

The framework for assessing the risks surrounding the budget needs to consider the following:

- Inflationary pressures.
- Pension Fund changes.
- Planned savings measures.
- Interest rate variations.
- Volume variations on demand-led services such as planning fees, land charges, particularly in light of Covid-19.
- New services/initiatives including waste and recycling.
- The risk of litigation.
- Emergency planning.
- Financial guarantees.
- Grant income.
- Future budget projections.

	Area of Risk	Explanation
1.	Inflationary Pressures	Historically the cost of pay awards has caused major variations to budget estimates. The 2021/22 budget proposals assume a pay rise of 1% will be offered in 2021/22 in line with expectations across the whole Public Sector. The assumptions within the proposed budget also allow for a further contingency of 1% which negates the need to make a provision within the working balance to offset this risk.  Inflationary risks on other costs are a factor elsewhere. The Ubico contract is driven by fuel and pay increases and a provision of 1% on the 2021/22 General Fund contract value suggests a figure of £88,000 should be kept as a provision within the working balance.
2.	Pension Fund Changes	The 2019 triennial review has brought a degree of certainty to future pension costs for 2020-2023. These will not impact adversely on the Council in the next 12 months so no specific provision is required at this point.
3.	Planned savings measures	The Savings Strategy identifies £3.482m of targets to be delivered across 2021/22 to 2024/25. Slippage can occur and the Red Amber Green (RAG) system for identifying those work streams at risk of slippage within the Savings Strategy. Currently the strategy notes £200,000 of work streams considered 'amber' for 2021/22 in terms of delivery and so 50% of these (i.e. £100,000) are accommodated within the working balance.

	Area of Risk	Explanation
4.	Interest rate variations	The current low levels of investment rates suggest that there is little down-side risk at present on cash deposits.
5.	Covid-19 expenditure	The Council has incurred significant additional expenditure as a result of the pandemic and this is likely to continue into 2021/22. As such a provision amounting to £500,000 is recognised in the working balance.
5.	Volume variations demand led	During the current economic downturn associated with Covid-19 the Council is extremely vulnerable to drops in key income streams, e.g. planning fees, car parking income, etc. The budget projections reflect current levels of income however the risks associated with volatility should be better reflected particularly given recent fluctuations in planning, car parking and building control income. As such a provision amounting to £500,000 to reflect the volatility is recognised in the working balance. A number of earmarked reserves are also held specifically to deal with this volatility.
6.	Risk of litigation contingency	The level of risk associated with litigation is considered to be reducing over time however risk does still remain and as such a provision of £100,000 is retained which mirrors the budget provision for supplementary approvals. The council holds a separate earmarked reserve for planning appeals which is also available if required.
7.	Emergency planning	Whilst the government will step in to assist in the event of a major disaster there are thresholds at which assistance is given. This threshold is 0.2% of the net budget. Financial support is then given at 85% of costs above this level. Provision of £1m would cost this Council £170,000 which is provided for within the working balance; the cash flow impact would need to be handled from invested cash balances.
8.	Financial guarantees/contingent liabilities	Run-off of the old Municipal Mutual Insurance claims has begun but no provision is required at this stage.
9.	Grant income	A number of one-off grant streams are anticipated in the 2021/2022 budget but no assumptions have been made for their continuation across future financial years. No risks have been identified around existing grant flows that require specific provision in the working balance.
10.	Business rates retention	As part of the pooling arrangement, the Council could be required to contribute to large scale revaluations such as occurred with Virgin Media via Tewkesbury Borough Council. Provision for such occurrences should therefore be included within the working balance and as such £150,000 is held. The council holds a separate earmarked reserve for Business Rates Retention which is also available if required.
11.	The Cheltenham Trust	A contingency provision of £100,000 is to be held in general balances for any unforeseen instances incurred by the Trust as they go through re-organisation and transformation post Covid-19.

The assumptions above total £1,708,000 suggesting that we strive to maintain a working balance around this figure during 2021/22. The Council should aim to not allow the working balance to fall below this figure. The current working balance is projected to be £1,720,470.

## **EARMARKED RESERVES**

In order to assess the adequacy of earmarked reserves when setting the budget, the Section 151 Officer should take account of the strategic, operational and financial risks

facing the authority. Accepting that there are still some areas of uncertainty, the level of reserves appears adequate at this point in time and no other changes are currently recommended, although every effort should be made to increase the level of reserves held as a way of future-proofing against further funding reductions.

Whilst the majority of these reserves are held for specific purposes, there are three reserves which are available to help meet the cost of any changes as the Council meets the challenges of future funding reductions; these are:

	<b>Balance projected at 31<sup>st</sup> March 2022 £</b>
Budget Strategy (Support) Reserve	520,411
New Initiatives Reserve (Transformation)	336,623
Pension and Restructuring Reserve	254,360
	<b>1,111,394</b>

In determining the budget strategy in October 2015, the Section 151 Officer recommended the creation of a specific earmarked reserve: a 'budget strategy (support) reserve', to provide greater resilience. This reserve secures the Council against short-term challenges which we know we will encounter in the coming years such as the one-off drop in business rates income due to the baseline re-set.

I have reviewed the revenue reserves and propose the transfers as identified in Appendix 6. I also consider that the financial reserves and working balance as proposed in these papers are adequate to fund spending plans for 2021/2022. However, given the uncertainty surrounding the outcome of the Fair Funding Review and the Business Rates Retention reset proposed in 2022, I recommend that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

### 3. CAPITAL HEALTH

The CIPFA Resilience Index highlights 2 particular indicators surrounding capital health:

- Interest Payable / Net Revenue Expenditure
- Gross External Debt

These measures only partially cover capital health as they are unable to analyse how these measures are factored in at a local level. Interest payable is more than covered by income received which have been backed up by prudent business cases when it comes to commercial property investments and regeneration projects. The Council has also approved a prudent Minimum Revenue Provision (MRP) Policy that ensures all debt is serviced and repaid over the life of an asset.

Whilst the gross external debt level may be perceived to be high in value, this indicator alone does not reflect the strength of the Council's Balance Sheet or indeed recognise the benefits of debt such as social value, wellbeing and financial return.

The 2019/20 statement of accounts, published in November 2020, reflect the following when analysing the Balance Sheet from the position as at 31st March 2019 to the position as at 31st March 2020:

- net assets have decreased from £321.626m to £320.218m (a year on year decrease of £1.408m);
- long term assets have increased from £500.113m to £536.567m (a year on year increase of £36.454m);
- long term borrowing has increased from £111.965m to £115.293m (a year on year increase of £3.328m);
- the asset to debt ratio is 0.44 as at 31st March 2020.

The asset to debt ratio is a measure of a company's financial risk. That is, it measures how much of a company's debts could be paid off by selling its assets in case of liquidation. If it is less than 0.5, the company's ratio is strong, because the company is easily able to service their debts if they have to. If the ratio is large, like over 0.5 or especially over 1, more of the expenses are being paid by borrowed money, which might indicate less stability. With an asset to debt ratio of 0.44, the council's ratio is therefore strong.

#### **4. OVERALL CONCLUSION**

There is a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget. The budget proposal includes budgets for expenditure and income and uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure per the MTFs without drawing on the General Reserve.

I am, therefore, satisfied that the proposed budget is balanced and meets the legal requirement to set a balanced budget.

My overall view is that the budget is a sound response to continuing challenging financial circumstances, which maintains services, maximises efficiencies and responds to anticipated future financial challenges.

In line with statutory duties, Members are asked to consider the advice provided in this report, based upon my assessment of the robustness of the overall budget and estimates in the medium term financial projections.

**PAUL JONES**

Executive Director Finance and Assets (Section 151 Officer)

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## NET GENERAL FUND FINAL BUDGET 2021/22

<b>GROUP</b>	<b>2020/21 ORIGINAL £</b>	<b>2020/21 REVISED £</b>	<b>2021/22 ORIGINAL £</b>
<b>Projected cost of 'standstill' level of service</b>			
Chief Executives Directorate	1,591,523	1,484,184	1,651,279
Finance & Assets Directorate	9,530,493	10,062,310	8,513,978
People & Change Directorate	3,968,895	4,200,914	3,914,209
Place & Growth Directorate	5,921,863	6,191,670	6,188,430
Programme Maintenance			
Bad debt provision			
	<b>21,012,774</b>	<b>21,939,078</b>	<b>20,267,896</b>
Capital Charges	(2,794,477)	(4,548,475)	(4,540,218)
Interest and Investment Income	(2,893,251)	(1,996,910)	(2,384,310)
Use of balances and reserves	(362,186)	13,987,449	(13,379,819)
Savings / Additional income identified - Appendix 5			(400,000)
Growth (self funding) - Appendix 4			246,000
Transfer to/from General Balances		(96,177)	543,574
Use of Budget Strategy Support reserve	(257,971)	(231,426)	
<b>NET BUDGET</b>	<b>14,704,889</b>	<b>29,053,539</b>	<b>353,123</b>
<b>Deduct:</b>			
National Non-Domestic Rate	(2,906,451)	(3,237,950)	(2,608,539)
National Non-Domestic Rate - 2018/19 surplus / deficit	423,557	423,556	
National Non-Domestic Rate - 2019/20 surplus / deficit	153,395	153,395	128,170
National Non-Domestic Rate - 2020/21 surplus / deficit			13,966,426
National Non-Domestic Rates - S31 Grants	(1,813,252)	(14,658,481)	(1,417,489)
New Homes Bonus	(1,252,262)	(1,252,262)	(747,091)
LCTS S31 Grant			(163,000)
S31 Grants - Lower Tier Services Grant			(121,000)
Local Tax Income Guarantee Scheme Government Grant		(1,171,923)	
Collection Fund Surplus/deficit Contribution	(73,500)	(73,500)	23,400
	<b>(5,468,514)</b>	<b>(19,817,165)</b>	<b>9,060,877</b>
<b>NET SPEND FUNDED BY COUNCIL TAX</b>	<b>9,236,375</b>	<b>9,236,375</b>	<b>9,413,999</b>
Band 'D' Tax	£214.08	£214.08	£219.08
Increase per annum			£5.00
Increase per week			£0.10
% Rise			2.34%
Gross Collectable Tax Base	43,580.30	43,580.30	43,404.60
Collection Rate %	99.00%	99.00%	99.00%
Net tax base	43,144.50	43,144.50	42,970.60

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PROPOSALS FOR GROWTH

Ref	Division	Project Name	Description	Revenue			Capital
				2021/22	2022/23	2023/24	2021/22
				£	£	£	£
<b>SUPPORTED GROWTH</b>							
1	Climate Change	Climate Change Officer	To provide permanent resource to lead project delivery on the Council's ambition to become carbon neutral	75,000	75,000	75,000	-
2	Ubico Contract	Environmentally friendly weed control	The Council has publicly committed to reducing weed spraying and supporting biodiversity	21,000	21,000	21,000	-
3	Economic Development	Economic Development Officer	To provide permanent resource to lead on the recovery strategy surrounding revitalising and reshaping the economy	75,000	75,000	75,000	-
4	Various	Apprenticeship Programme	To provide for a cohort of 4 apprentices who will commence employment at the Council in September 2021 across various departments	75,000	75,000	75,000	-
				<b>246,000</b>	<b>246,000</b>	<b>246,000</b>	-

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SAVINGS STRATEGY						
	2020/21	2021/22	2022/23	2023/24	2024/25	Total 2021/22 to 2024/25
<b>Total Current MTFS Funding Deficit</b>	<b>1,083,970</b>	<b>400,000</b>	<b>572,104</b>	<b>1,568,902</b>	<b>1,414,783</b>	<b>3,955,789</b>
<b>1. Place and Growth</b>						
Fees & charges and income general uplift	50,000		50,000	50,000	50,000	150,000
Car Parking Strategy - volume / price analysis	150,000					0
Environmental Services efficiencies	100,000					0
West Cheltenham - increase in taxbase and regeneration				200,000	600,000	800,000
North West Cheltenham - increase in taxbase				100,000	100,000	200,000
<b>Total</b>	<b>300,000</b>	<b>0</b>	<b>50,000</b>	<b>350,000</b>	<b>750,000</b>	<b>1,150,000</b>
<b>2. People and Change</b>						
L&C Review - trust savings			100,000			100,000
Modernisation Programme	150,000	150,000	100,000	100,000	100,000	450,000
Energy savings / initiatives (wind, solar / battery storage)			50,000	50,000	50,000	150,000
<b>Total</b>	<b>150,000</b>	<b>150,000</b>	<b>250,000</b>	<b>150,000</b>	<b>150,000</b>	<b>700,000</b>
<b>3. Finance and Assets</b>						
Existing Investment portfolio income generation	150,000		150,000	50,000	50,000	250,000
Commercial income generation opportunities	50,000		50,000	50,000	50,000	150,000
Minster Innovation Exchange			57,000	55,000	20,000	132,000
North Place development income - increase in taxbase					150,000	150,000
New Housing supply - mark-up on borrowing / equity	50,000		50,000	50,000		100,000
Depot - rationalisation of site					150,000	150,000
Treasury Management activity			50,000		50,000	100,000
LGPS up-front payment discount	126,000	200,000	200,000			400,000
Municipal offices - Letting of surplus office accommodation space		50,000	50,000	50,000	50,000	200,000
<b>Total</b>	<b>376,000</b>	<b>250,000</b>	<b>607,000</b>	<b>255,000</b>	<b>520,000</b>	<b>1,632,000</b>
<b>4. Use of Reserves</b>						
* Use of Budget Strategy (Support) Reserve	257,970	0	(334,896)	813,902	(5,217)	473,789
<b>Total</b>	<b>257,970</b>	<b>0</b>	<b>(334,896)</b>	<b>813,902</b>	<b>(5,217)</b>	<b>473,789</b>
<b>Total Identified Savings/Income</b>	<b>1,083,970</b>	<b>400,000</b>	<b>572,104</b>	<b>1,568,902</b>	<b>1,414,783</b>	<b>3,955,789</b>
Target one-off underspend to boost budget strategy reserve						
<b>Shortfall / (Surplus) against MTFS Funding Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

NB: traffic lights denote risk associated with delivery

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		<u>31st March</u> <u>2020</u> £	<u>2020/21</u> <u>Movement</u> <u>Revenue</u> £	<u>2020/21</u> <u>Movement</u> <u>Capital</u> £	<u>31st March</u> <u>2021</u> £	<u>2021/22</u> <u>Movement</u> <u>Revenue</u> £	<u>Proposals</u> <u>to Support</u> <u>2021/22 Budget</u> £	<u>2021/22</u> <u>Movement</u> <u>Capital</u> £	<u>31st March</u> <u>2022</u> £
<b><u>EARMARKED RESERVES</u></b>									
<b><u>Other</u></b>									
RES002	Pension & Restructuring Reserve	(370,956)	78,628		(292,328)	37,968			(254,360)
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)
RES010	Flood Alleviation Reserve	(37,900)	37,900		0				0
RES014	GF Insurance Reserve	(77,106)			(77,106)				(77,106)
RES016	Joint Core Strategy Reserve	(18,780)			(18,780)				(18,780)
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	(458,837)	231,426		(227,411)	(293,000)			(520,411)
RES026	Social Housing Marketing Assessment (SHMA) Reserve	(36,534)	(2,500)		(39,034)	(2,500)			(41,534)
		<b>(1,483,842)</b>			<b>(1,138,388)</b>				<b>(1,395,920)</b>
<b><u>Repairs &amp; Renewals Reserves</u></b>									
RES201	Commuted Maintenance Reserve	(73,035)	12,172		(60,863)	12,172			(48,691)
RES204	I.T. Repairs & Renewals Reserve	(67,200)	(50,000)		(117,200)	(50,000)			(167,200)
RES206	Delta Place Reserve	(400,000)	(100,000)	95,000	(405,000)	(100,000)	200,000		(305,000)
RES205	Property Repairs & Renewals Reserve	(738,337)	102,000		(636,337)	102,000			(534,337)
		<b>(1,278,572)</b>			<b>(1,219,400)</b>				<b>(1,055,228)</b>
<b><u>Equalisation Reserves</u></b>									
RES101	Rent Allowances Equalisation	(217,857)	86,426		(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	(187,587)	(62,100)		(249,687)	62,900			(186,787)
RES107	Car Parking Equalisation	(399,341)	130,000		(269,341)				(269,341)
RES108	Business Rates Retention Equalisation	(393,263)	(14,211,526)		(14,604,789)	13,810,279			(794,510)
RES109	Cemetery income Equalisation reserve	(126,369)			(126,369)				(126,369)
		<b>(1,410,824)</b>			<b>(15,468,024)</b>				<b>(1,594,845)</b>
<b><u>Reserves for commitments</u></b>									
RES301	Carry Forwards Reserve	(191,552)	191,552		0				0
<b><u>CAPITAL</u></b>									
RES402	Capital Reserve - GF	(131,486)	(200,000)	50,000	(281,486)	(200,000)	150,000		(331,486)
<b>TOTAL EARMARKED RESERVES</b>		<b>(4,496,276)</b>			<b>(18,107,298)</b>				<b>(4,377,479)</b>
<b><u>GENERAL FUND BALANCE</u></b>									
B8000 - B8240	General Balance - RR	(1,273,073)	96,177		(1,176,896)		(543,574)		(1,720,470)
		<b>(1,273,073)</b>			<b>(1,176,896)</b>				<b>(1,720,470)</b>
<b>TOTAL GENERAL FUND RESERVES AND BALANCES</b>		<b>(5,769,349)</b>	<b>(13,659,845)</b>	<b>145,000</b>	<b>(19,284,194)</b>	<b>13,379,819</b>	<b>(543,574)</b>	<b>350,000</b>	<b>(6,097,949)</b>

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Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2020/21 £	Revised Budget 2020/21 £	Original Budget 2021/22 £	Original Budget 2022/23 £	Original Budget 2023/24 £
<b>FINANCE &amp; ASSET MANAGEMENT</b>								
<b>Property Services</b>								
CAP506	GCR	Gloucestershire Airport Limited	Runway repairs	-	-	7,250,000	-	-
CAP700	PB	Minster Innovation Exchange	20,000 sq ft purpose-built commercial space adjacent to the Minster		500,000	4,171,000	-	-
CAP512	PB	Enterprise Way Phase 2	Industrial units to complete development	507,732	507,732	-	-	-
CAP513	R	Enhancing Investment Property Portfolio	To enhance the Council's property portfolio.	6,232,410	-	-	-	-
		West Cheltenham development (Cyber Hub)	Infrastructure to support cyber hub	4,647,966	-	4,647,966	-	-
		Smart Working Project	Municipal Offices ground and first floor refurbishment	495,001	95,000	200,000	-	-
		Sandford Park toilets	Provide for new public toilet provision at Sandford Park. £150k	150,000	25,000	125,000	-	-
		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>12,133,109</b>	<b>1,127,732</b>	<b>16,493,966</b>	-	-
<b>PEOPLE &amp; CHANGE</b>								
<b>ICT</b>								
	C / P	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.	350,000	432,600	300,000	-	-
CAP026	C	IT Infrastructure	5 year ICT infrastructure strategy	100,000	50,000	150,000	100,000	100,000
CAP131	GCR	One Legal case management system	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	40,000	40,000	-	-	-
<b>Leisure Trust</b>								
CAP135		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);	1,000,000	500,000	500,000	-	-
				<b>1,490,000</b>	<b>1,022,600</b>	<b>950,000</b>	<b>100,000</b>	<b>100,000</b>
<b>PLACE &amp; GROWTH</b>								
	GCR	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	-	-
CAP601/2/3	GCR	Crematorium Scheme - new chapels	Construction of new chapels	109,716	109,716	-	-	-
CAP606	GCR	Crematorium Scheme - existing chapel	Redevelopment of existing chapel	285,000	-	285,000	-	-
CAP152	GCR	Public Realm - Promenade pedestrianised area	Upgrade of Promenade pedestrianised area including remodelling of tree pits, providing seating, re-pointing existing Yorkstone	33,609	33,609	-	-	-
CAP154	GCR	Public Realm - Creative Hub / St. Mary's Churchyard	Environmental improvements	36,900	36,900	-	-	-
CAP154	S106	Public Realm - Creative Hub / St. Mary's Churchyard	Public Art Scheme	20,000	20,000	-	-	-
CAP204	GCR	Public Realm - Improvements to Grosvenor terrace car park	Improving linkages to the High Street, signage and decoration.	115,500	-	115,500	-	-
CAP201	GCR	CCTV	Additional CCTV in order to improve shopping areas and reduce fear of crime	149,739	149,739	-	50,000	50,000
CAP205/6/7	GCR	Public Realm Improvements - High Street Phase 2	Public Realm in the Strand / Cambray	2,133,672	50,000	383,672	-	-
CAP129	R	Improvements to off-street car parking (£400k)	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.	369,639	369,639	-	-	-
CAP507	P	Changing Places	Two changing room accessible toilets in the town centre	42,185	42,185	-	-	-
<b>Housing</b>								
CAP221	BCF	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
CAP223	BCF/GCR	H&S, vacant property & renovation grants	Assistance available under the council's Housing Renewal Policy	211,425	211,425	-	-	-

Code	Funding	Directorate / Scheme	Scheme Description	Original Budget 2020/21 £	Revised Budget 2020/21 £	Original Budget 2021/22 £	Original Budget 2022/23 £	Original Budget 2023/24 £
CAP224	BCF	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
	PB	Housing Delivery	Enabling the delivery of Private Rented Sector (PRS) Housing through Cheltenham Borough Homes		1,605,000	4,500,000	4,500,000	4,500,000
CAP228	S106	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>						
CAP101	S106	S.106 Play area refurbishment	Developer Contributions	99,044	99,044		50,000	50,000
CAP102	GCR	Play Area Enhancement	Ongoing programme of maintenance and refurbishment of play areas to ensure they improve and meet safety standards	152,109	152,109		80,000	80,000
CAP501	GCR	Allotments	Allotment Enhancements - new toilets, path surfacing, fencing, signage, and other improvements to infra-structure.	161,402	161,402	-	-	-
CAP101	P	Clyde Scooter Skate Park	Construction of a concrete scooter skate park in Clyde Crescent open space.	66,979	66,979	-	-	-
CAP133		Replacement Parks & Gardens Vehicles		40,838	40,838	-	-	-
		<b>Waste &amp; Recycling</b>						
CAP301	PB/GCR	Vehicles and recycling equipment and receptacles	Replacement vehicles and recycling equipment	1,268,974	1,268,974	630,000	1,300,000	1,300,000
				<b>6,267,877</b>	<b>5,238,705</b>	<b>6,582,572</b>	<b>6,498,400</b>	<b>6,498,400</b>
		<b>BUDGET PROPOSALS FOR FUTURE CAPITAL PROGRAMME:</b>						
		Imperial Gardens Railing Restoration	The restoration of the Imperial Gardens Railing to be funded by external resources and project managed by CBC. £100k					
		<b>TOTAL CAPITAL PROGRAMME</b>		<b>19,890,986</b>	<b>7,389,037</b>	<b>24,026,538</b>	<b>6,598,400</b>	<b>6,598,400</b>

	BCF	<b>Funded by:</b> DFG Better Care Fund / government grant		518,400	518,400	518,400	518,400	518,400
	SCG	Other specific government grant		211,425	41,556	3,114,000		
	P	Partnership Funding		109,164	991,764	157,000		
	S106	Developer Contributions S106		351,790	371,790		50,000	50,000
	GCR	GF Capital Receipts		4,655,856	3,246,553	2,489,172	600,000	600,000
	PB	Prudential Borrowing		13,449,350	2,073,974	17,397,966	5,200,000	5,200,000
	R	Revenue (RCCO) / other revenue reserves		495,001	95,000	200,000		
	C	GF Capital Reserve		100,000	50,000	150,000	230,000	230,000
		<b>TOTAL CAPITAL PROGRAMME</b>		<b>19,890,986</b>	<b>7,389,037</b>	<b>24,026,538</b>	<b>6,598,400</b>	<b>6,598,400</b>

## Proposed Planned Maintenance Programme 2021- 2022

### Priority Grading

**Priority 1:** Critical work that will prevent immediate closure of premises, and/or address an immediate high risk to health & safety of occupants, and/or remedy a serious breach of legislation

**Priority 2:** Essential work required within two years that will prevent deterioration of fabric or services, and/or to the health & safety of occupants, and/or remedy a lesser breach of legislation

**Priority 3:** Desirable work required within two years that will prevent deterioration of fabric or services, and/or to the health & safety of occupants, and/or remedy a lesser breach of legislation

Order of Estimated Cost		Financial Year 2021 - 2022			Total
		Priority			
Property Name	Description	1	2	3	
All Properties (H&S)	Consequential works arising from Fire risk assessment reports	10,000			
All Properties (H&S)	Consequential works arising from legionella risk assessments/ inspections	10,000			
All Properties (H&S)	Contingency fund for compliance/ H&S remedial work	25,000			
All Properties (H&S)	Top up for reactive	125,000			
Rec Centre	Replacement of electrical switch gear under ramp (P&R to confirm replacement required)		10,000		
PoW	Track relining/ cleaning		4,000		
PoW	Annual high level lighting inspection plus works arising		10,000		
Central Depot	Ongoing repairs to service road		20,000		
Central Depot	Ongoing roof repairs to various buildings		25,000		
Central Depot	Roller shutter door replacement		30,000		
Muni	render windows	20,000			
Art Gallery and Museum	Renew humidifier cabinets		7,000		
Art Gallery and Museum	Renew lead parapet gutters and tin flat roof		30,000		
Art Gallery and Museum	Inspection of stonework		5,000		
Town Hall	Painting to roof top ventilation turret including lead flashings		35,000		
Town Hall	sand and seal flooring		7,000		
Montpellier Gardens Toilets	Repair wall structure		20,600		
Montpellier Gardens Toilets	Replace windows		26,350		
Pittville Bandstand	Replace shingled roof covering and structural repairs		20,000		
Pittville Park	path surface, becoming urgent, trip hazards appearing regularly.	30,000			
Montpellier Gardens Railing	rub down and repaint		5,000		
PPR	Balcony repairs	70,000			
Condition for commercial stock	condition surveys	20,000			
Chelt Walk Car Park	Boundary wall repairs		5,000		
Town Centre East Car Park	Deep clean		6,000		
Regent Arcade Multi Storey CP	Deep clean		7,000		
Central Cross Café	Painting		5,000		
Boathouse Café	Painting		5,000		
Pittville Pump Room Car Park	Resurface East and West entrance areas		6,000		
<b>Sub Totals:</b>		£ 310,000	£ 288,950		£ 598,950

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## **Flexible use of Capital Receipts Strategy 2021/22**

### **Introduction**

As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applied to the financial years 2016/17 through to 2019/20. In December 2017 the Secretary of State announced that this flexibility would be extended for a further 3 years (until 2021-2022).

### **The Guidance**

The guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specified that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.
- Local authorities cannot borrow to finance the revenue costs of the service reforms.
- The expenditure for which the flexibility can be applied (known as ‘Qualifying Expenditure’) should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or the demand for services in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.
- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority’s net service expenditure.
- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

To make use of this flexibility, the Council is required to prepare a “Flexible use of capital receipts strategy” before the start of the year, to be approved by full Council. This can form part of the budget report to Council. This Strategy therefore applies to the financial year 2021/22, which commences on 1<sup>st</sup> April 2021.

**Examples of qualifying expenditure**

There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- ***Collaboration between local authorities and central government departments to free up land for economic use;***
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others);
- Integrating public facing services across two or more public sector bodies (for example children’s social care, trading standards) to generate savings or to transform service delivery.

## The Council's Proposals

The Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

The Council has determined that the Cyber Central (Golden Valley Development) initiative is a "Collaboration between local authorities and central government departments to free up land for economic use" and therefore meets the definition of a project that will generate qualifying expenditure.

The Council therefore intends to use the following use of capital receipts to fund the Cyber Central (Golden Valley Development) initiative and the savings generated by this project are set out in the table below:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Programme costs (set-up/implementation)	0.800			
Savings / additional base budget income generated		0.150	0.350	0.500

## Impact on Prudential Indicators

The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. The council's current capital programme does not utilise the capital receipts that will be generated to fund the above programme. Therefore, there will be no change to the council's Prudential Indicators that are contained in the Treasury Management Strategy Statement which will be presented to Full Council in March 2021 for approval.

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# Medium Term Financial Strategy

2021/22 to 2024/25



CHELTENHAM  
BOROUGH COUNCIL

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# Foreward

- 1.1 - Unique challenges require a unique response. Covid-19 has tested Cheltenham's communities, economy and way of life in a way that has not been seen since the Second World War. Our Borough has lost loved ones, business has been disrupted and we have all had to re-learn a new existence that tries to retain our human connections while being apart. We have been humbled by the dedicated and caring values shown by all to support and shield those who need help and we are proud to witness the strength and resilience of our town in the face of this challenge.
- 1.2 - Overcoming Covid-19 involves more than finding a medical cure, we must also focus on how we can rebuild our economy and communities to be stronger than before. In Cheltenham, we remain just as committed to making our Borough the Cyber Capital of the UK and helping our town, county and region thrive. Nevertheless, the challenge of this global pandemic requires a response that is more innovative and ambitious than we might have thought previously possible.
- 1.3 - Local Government needs to work alongside Central Government to avert the need for a further 10 years of austerity and create a bold vision to rebuild after Covid-19. In Cheltenham, we firmly believe we have the people, skills and local solutions to deliver a recovery that will not just repair the damage but it will offer the opportunity for renewal, improvement and strong, sustainable communities. Locally driven investment in projects, spaces and places will allow us to deliver tailored responses to our challenges and opportunities and allow us to play our part in a collective national effort to rebuild. It is therefore essential that the Council is financially sustainable and in a position to lead that recovery.
- 1.4 - In the last 10 years, the Council's core funding from the Government has been cut by £6.8 million, whilst at the same time experiencing significant cost pressures and increasing demand. For the majority of that period there was a mandate from Government to restrict council tax increases, placing further pressure on the Council's ability to sustainably provide services through more innovative and commercial ventures that cross subsidise services.
- 1.5 - The Council has an excellent track record in delivering pioneering solutions to the budget pressures faced. Over the same 10 year period, the Council has delivered savings and additional income in excess of £9.6m broken down as £2.916m from staff reorganisation and service reviews; £3.378m through the creation of innovative shared services with other local authorities and the creation of alternative delivery models such as Ubico and the Cheltenham Trust; and £3.669m from additional income generation and effective asset management.
- 1.6 - In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.
- 1.7 - The key mechanism for carrying out this strategy is the commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.

- 1.8 - The commercial strategy was adopted by Full Council in February 2018 with the vision “to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable”.
- 1.9 - Part of our drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.
- 1.10 - In June 2019, the national MJ achievement awards recognised Cheltenham Borough Council for its efforts in making significant local investments and long-term financial plans to ensure continuity of frontline services and public realm investment. This approach has helped the council manage the impact following the loss of £6.8m funding since 2010 and led to the Council’s success in winning the 2019 award for Best Commercial Council: <https://awards.themj.co.uk/library/media/pdfs/CBCMJaward2019BestCommercialCounciloriginal-compressed.pdf>
- 1.11 - Heather Jameson, The MJ’s editor, said: “Congratulations to Cheltenham BC for being named as Best Commercial Council. Our judges had a difficult task, selecting the best authority, never an easy decision when there are so many strong contenders, but Cheltenham stood out for its approach that covered the whole council. ‘Well done to everyone at Cheltenham BC. This is a massive achievement and they should be proud of their innovative approach to saving local taxpayers’ money.” In September 2019, the Council’s commercial approach to supporting its medium term financial strategy was further validated with the Council winning the APSE award for Best Commercial Council and Entrepreneurship Initiative; <https://www.apse.org.uk/apse/index.cfm/news/articles/2019/announcing-the-apse-service-awards-finalists-2019/>
- 1.12 - The Cabinet believes the longer term approach to finding efficiencies to close the funding gap is fundamentally through economic growth, regeneration and investment and the efficient utilisation of our assets; linking our Place and Commercial Strategies to ‘Invest in Cheltenham, for the benefit of Cheltenham’. This has seen a place focused investment approach offering long term investment, income through rents as well as other social and financial benefits.



**“Local Government needs to work alongside Central Government to avert the need for a further 10 years of austerity and create a bold vision to rebuild after Covid-19.”**

Councillor Steve Jordan, Cabinet Member for Finance and Assets

# Introduction

The council's corporate plan 2019-2023 sets out 5 key priorities for the council:

- We will work toward making Cheltenham the Cyber Capital of the UK; a national first, which will deliver investment in homes, jobs, infrastructure and enable the Council to deliver inclusive growth for our communities.
- Deliver a number of Town Centre and wider public enhancements that will continue the revitalisation the town ensuring its longer-term viability as a retail and cultural destination.
- Deliver enhancements to our environmental services and develop the way we commission these services.
- We will be seeking new opportunities to bring in additional resources e.g. introduction of Cheltenham lottery as well as leveraging more value from our assets and commissioned providers to deliver our £180m housing investment plan.
- Improve the way services and information are accessed by residents and businesses by maximising new technology opportunities and different ways of working the outcome of which will contribute towards our financial self-sufficiency.

The MTFS is the council's key financial planning document for the General Fund budget and as such sets out and considers the financial implications of the council's priorities and factors in financial pressures, including reducing government funding. The diagram below shows how the MTFS is the overarching framework which supports all other financial strategies, plans, policies and decisions.

Category	Overall	Revenue	Capital	Treasury Mgmt	Risk Mgmt
Strategies	Medium Term Financial Strategy				
	Commercial Strategy	Investment Strategy	Capital Strategy	Treasury Mgmt (TM) Strategy	Risk Mgmt
	Asset Management Strategy				
Guidance	CIPFA and Technical Guidance	Budget Guidance	Capital Guidelines	CIPFA Code for Practice for TM	Risk Management Guidance
Plans	MTFP Projection	Annual Budget	Capital Programme & Asset Mgmt Plan	Treasury Policy Statements	Risk Register
Governance	Constitution and Annual Governance Statement	Quarterly Performance Reports		Prudential Indicators and Annual Report	Risk Register reporting and regular review
	Contract and Finance Procedure Rules				Audit Committee and Cabinet Reports
	Internal and External Audit Plans and our response to audit review				
Decision Making	Cabinet/Council				

The Housing Revenue Account (HRA) is not included, as a separate budget and Business Plan is produced for the HRA to cover its planning processes.

The vision we have for our services is that they:

- are financially sustainable
- have a commercial mind-set
- foster creativity and innovation
- have a strong customer and community ethos
- which are flexible and drive out as much as efficiency as possible.

The objectives of the services are to be:

- Customer focussed - with services delivered in a way that is convenient for the customer and in a way that meets their changing needs through maximising advancements in technology;
- Supportive to economic growth - through freeing up resources to focus on corporate priorities and improved data to enable more informed decision making;
- Efficient - with joint up services provided at minimal cost and underpinned by clear data;
- An organisation - that is placed to best support the Council in achieving its aims and objectives and to meet the opportunities and challenges ahead;
- Investing in our people - invest in our people to create culture that consistently supports and encourages:
  - Commercial thinking
  - Innovation
  - Continuous improvement through new ways of working.



# Our Current Business Model

2021/22 - Gross Expenditure

## **£23.4 Million** *DIRECTLY PROVIDED*

Community Welfare & Safety  
Economic Development,  
Regeneration & Tourism Planning  
Housing Enabling Revenues &  
Benefits Asset Management  
Elections & Democratic processes  
Bereavement Services  
Car Parking Strategy &  
Communications  
Support Services

## **£12.1 Million** *PROVIDED BY CONTRACTORS* *JOINTLY OWNED BY CBC*

Waste & Recycling  
Parks & Grass verges  
Street Cleaning  
Public Conveniences  
Leisure & Culture  
Housing Options  
Finance & Procurement  
Human Resources & Payroll  
ICT & Telecommunications  
Internal Audit & Fraud

## **£1 Million** *SHARED WORKING*

Legal Services  
Building Control

## **£0.2 Million** *JOINT WORKING*

Joint Core Strategy  
Development Task Force  
Strategic Planning



# ***Executive Summary***

The purpose of this document is to produce a robust and thoughtful MTFS which captures the growing needs and continuing aspirations of the council after a period of prolonged public spending austerity and the impacts of Covid-19 and the following areas are considered and discussed:

## ***Section 2***

### ***NATIONAL AND LOCAL FINANCIAL RISKS***

## ***Section 3***

### ***CURRENT FINANCIAL BUDGET GAP***

## ***Section 4***

### ***RESERVES STRATEGY***

## ***Section 5***

### ***SAVINGS STRATEGY***

# 2. *National and Local Financial Risks*

## INTRODUCTION

2.1 - The Council is operating in a challenging and uncertain economic environment. The impact on the UK from Covid-19, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will continue to be a major factor for 2021/22. The financial impact of Covid-19 and Brexit on the country and on local government is unknown, but potentially significant in terms of legislation, inflation, interest rates and economic growth.

“The Council is operating in a challenging and uncertain economic environment.”

2.2 - The impact on the UK economy may affect aspirations for the Government’s spending programme, despite the notion that the Government has stated that austerity is over. Therefore the amount of funding available to local government from 2022/23 is still uncertain.

2.3 - UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of Covid-19 on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the Bank of England (BoE) forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

2.4 - Gross domestic product (GDP) growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter 2020, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE’s November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023

2.5 - The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and the Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the

2.6 - November Monetary Policy Report (MPR) forecasts, the Bank expected the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a Covid-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

2.7 - The state of the UK economy will influence the amount of taxation income available to the Government and also the cost of income-based benefits and social support. This in turn will influence the spending strategy of the Government and the balance of funding available to local government.

The MTFS for 2021/22 to 2024/25 recognises the anticipated significant changes to the national funding system through the business rates reset and fair funding review, as well as locally driven cost pressures and political choices. It has therefore taken a risk based approach in reviewing the financial pressures facing the council and how they should be mitigated across the medium term.

## ***FUTURE BUDGET ROUNDS***

2.8 - The Council no longer receives Revenue Support Grant funding from the Government and will have to rely on income generated in the Borough to fund services. The National Fair Funding Review (FFR) is reviewing the underlying needs formula and distribution methodology used for assessing need and allocating funding to Local Government as the formula has not been reviewed since 2013. The Ministry of Housing, Communities and Local Government (MHCLG) are looking for a formula based model with common cost drivers such as population, accessibility and remoteness with the principles of being simple, transparent, contemporary, sustainable, robust and stable.

2.9 - The intention is for each local authority to be set a new baseline funding allocation based on an assessment of relative needs and taking into account the relative resources of local authorities. The timeline for its introduction has been put back a further year to 2022 and the government are committed to putting in place transitional arrangements to 'smooth' the impact, referred to as 'damping'.

*"The government is working on the principles that there will be no redistribution of council tax or fees and charges between authorities and they do not intend to reward or penalise authorities for exercising local discretion."*

2.10 - In assessing relative resources, the government is working on the principles that there will be no redistribution of council tax or fees and charges between authorities and they do not intend to reward or penalise authorities for exercising local discretion. The government therefore intends to use a notional council tax level rather than the actual council tax level, which will determine whether a council's share of total need is higher than its share of taxbase.

## **BUSINESS RATES RETENTION**

- 2.11 - Business Rate income generated under the Retained Business Rates funding mechanism is an important income stream, but is complex and potentially volatile. The Retained Business Rates scheme places considerable financial risk on the Council in terms of fluctuating business rates and funding the costs of business rate appeals, which directly affect the income that the Council can recognise. Alongside the FFR, the government is planning to consult on how the new scheme post 2022 can continue to reward and incentivise growth, whilst mitigating the risk of appeals and longer term impact of Covid-19. The current thinking is to introduce a 'floating' tariff/ top-up system which will result in a recalibration to take account of appeals.
- “Business Rate income generated under the Retained Business Rates funding mechanism is an important income stream, but is complex and potentially volatile.”
- 2.12 - Under the current system roughly £13bn per year of business rates income is kept by Central Government to fund local authority services. This is referred to as the “Central share” and is redistributed to councils in the form of Revenue Support Grant (RSG) and other grants including New Homes Bonus (NHB). In future, if this sum is retained by local authorities, new burdens of a broadly similar value will be passed across to local government. As a result local government will not initially have more funding; over the longer term this will depend on whether business rates grow faster or slower than local authority service demands and costs, and to add further complication will depend on where the revised business rates baseline is set for the council from 2022/23.
- 2.13 - The council's MHCLG set business rates baseline is £2.841m whilst, as a result of 'retained' economic growth, £3.742m is now forecast to be generated and support the base budget in 2021/22. It was proposed that the new baseline will be set taking into consideration business rates income retained in 2019/20 and this will be compared to the reassessed needs of the Borough resulting in either a top-up or tariff to manage the difference between the two. Clearly the future of Business Rates has been thrown into question as a result of the devastating impact on the retail, leisure and hospitality sector from Covid-19.
- 2.14 - Growth will be calculated as business rates income in excess of the revised baseline and will continue to be shared with the upper tier authority; the split of which is yet to be determined and forms part of the current MHCLG thinking on Business Rates Retention.
- 2.15 - Whilst it is proposed that levies on growth will no longer exist under the new system (the cost of which had been mitigated through the establishment of the Gloucestershire Business Rates Pool) it is likely that some form of safety net will remain in place, and as a result councils will be subject to local volatilities within its own economies.
- 2.16 - In previous years, local authorities have been funded through a mixed structure of grant e.g. RSG and locally driven income e.g. council tax and business rates which provided some mitigation of risk. Moving to a 75% retained system means more risk transfers to local government and as such individual councils must assess their level of risk and make appropriate contingency plans to manage the potential costs of the changing system and furthermore the local fluctuations in business rates revenue over time.

## **NEW HOMES BONUS (NHB)**

- 2.17 - New Homes Bonus (NHB) will continue for another year but the government very clearly intends to phase it out by 2023/24. For now, there is no change in the operation of the scheme in 2021/22: the scheme works in the same way and applies the same threshold baseline of 0.4% housing growth under which no New Homes Bonus grant is paid.
- 2.18 - The major change in NHB is that the new amounts earned in 2021/22 will only attract an NHB reward for one year (2021/22) alongside the committed rewards paid in respect of years 2018/19 and 2019/20. In the following year (2022/23), NHB will only cover the reward for year 2019/20. NHB will effectively end by 2023/24. The government is making very clear that it wants to replace NHB, and replace it with something that is more “targeted”. Any replacement is unlikely to distribute as much funding as the NHB currently does, or to be distributed in the same way.

## **COUNCIL TAX**

- 2.19 - Council tax is considered an increasingly important mode of local government financing by Central Government. This is reflected in the decision to allow districts to increase council tax by £5 per annum or up to 1.99%, whichever is higher. Current projections post Covid-19 also assume growth in the taxbase of 0.80% per annum.
- 2.20 - The assumptions were made by the Government when establishing the reduction in RSG linked to the level of council tax base growth; however, locally the council will need to consider what levels of growth are likely and financially sustainable.
- 2.21 - Furthermore, there is a corresponding cost to increasing the tax base with additional properties and residents to service which needs to be recognised and captured at certain steps or “trigger” points e.g. refuse / recycling collections.

“Council tax is considered an increasingly important mode of local government financing by Central Government.”

## **FEES AND CHARGES**

- 2.22 - A significant proportion of the council’s funding comes from fees and charges. This is fast becoming an ever more important funding mechanism and one which is within the council’s gift to control, subject to any legislative, economic or political constraints.

“A significant proportion of the council’s funding comes from fees and charges.”

- 2.23 - However, as more reliance is placed on income there is increased pressure to understand current performance levels coupled with the risks and opportunities arising from each income stream whether it is new or existing. It is also important to consider how “recession-proof” an income stream is so that appropriate levels of mitigation can be put in place under a Reserves Strategy to meet dips arising in a recession.

## COVID-19

2.24 - The impact on council tax, business rates and the implications for the economy, particularly the key income streams for the council such as car parking, are matters that will challenge the medium term financial strategy. Economic peaks and troughs are a recognised inevitability and the council's finances should be managed with this in mind – save during the peak years to support spend during the troughs. Taking this approach will see more emphasis placed on maintaining increasing levels of reserves, than in previous financial years.

## RESOURCES

2.25 - Concerns around the council's capacity and resources available to deliver multiple competing priorities has been raised and this is a key consideration for the Executive Leadership Team and Cabinet when determining their priorities and the delivery of the proposed Savings Strategy. In particular, there will be a necessity to both realign base budgets and make one-off budgetary provision to support the delivery of priority schemes being supported and delivered. This specifically relates to the delivery of major growth, public realm and infrastructure schemes which will be crucial to the delivery of the council's Savings Strategy.

2.26 - The key risk is that if resource is not deployed to allow focus on the schemes which are of financial importance to the council the proposed Savings Strategy will not be delivered within the timescales required, resulting in a less managed response to funding cuts set down by central government.



# 3. Current Financial Budget Gap

## INTRODUCTION

3.1 - The MTFS develops a series of financial projections to determine the longer term financial implications, in order to deliver the council's aims. As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities and previous decisions. This is then measured against the projection of available funding to determine affordability which determines the funding gap. The package of measures required to equalise the two calculations forms the "Savings Strategy" identified in section 5.

3.2 - The projection of the funding gap is shown in Table 1 below:

<b>Table 1: Projection of Funding Gap</b>	<b>2020/21</b> £	<b>2021/22</b> £	<b>2022/23</b> £	<b>2023/24</b> £	<b>2024/25</b> £
Net Cost of Services brought forward from previous year (assuming a balanced budget has been set)		14,962,858	14,159,963	13,712,963	14,267,963

<b>IN YEAR BUDGET VARIATIONS</b>					
<b>Increased costs of existing services</b>					
General Inflation		119,297	70,000	70,000	70,000
Employee and Members related expenditure		378,835	207,000	207,000	207,000
Shared Services contract inflation		23,910	19,000	19,000	19,000
Publica contract inflation		18,617	35,000	35,000	35,000
Ubico contract inflation		83,373	175,000	425,000	175,000
<b>GROWTH</b>		272,000			

<b>INCOME</b>					
Green Waste			(11,000)	(11,000)	(11,000)
Cemetery & Crematorium			(35,000)	(35,000)	(35,000)
Property rentals		59,918			
Charges to other clients (TCT, CBH and Ubico)		(10,604)			
Ubico finance lease interest		6,000			
<b>Minimum Revenue Provision and Interest Payable</b>		(1,646,967)		600,000	841,162

<b>RESERVES</b>					
Net Contribution from BRR Reserve		206,300			
Net Contribution from Rent Allowances Reserve		86,426			

<b>Table 1: Projection of Funding Gap</b>	<b>2020/21</b> £	<b>2021/22</b> £	<b>2022/23</b> £	<b>2023/24</b> £	<b>2024/25</b> £
<b>SAVINGS STRATEGY</b>					
Place and Growth		0	(50,000)	(350,000)	(750,000)
People and Change		(150,000)	(250,000)	(150,000)	(150,000)
Finance and Assets		(250,000)	(607,000)	(255,000)	(520,000)
<b>Projected Net Cost of Service</b>	<b>14,962,858</b>	<b>14,159,963</b>	<b>13,712,963</b>	<b>14,267,963</b>	<b>14,149,125</b>
Business Rates	(4,142,751)	(3,741,711)	(2,990,000)	(3,400,000)	(3,800,000)
Damping			(1,120,000)		
New Homes Bonus	(1,252,262)	(747,091)	(230,579)		0
Collection Fund (surplus) / deficit contribution	(73,500)	23,400		(50,000)	(50,000)
Council tax income assuming council tax increases by £5 per annum from 2021/22	(9,236,375)	(9,413,999)	(9,707,280)	(10,004,061)	(10,304,342)
Covid-19 Grant		(540,136)			
Lower Tier Services Grant		(121,000)			
LCTS S31 Grant		(163,000)			
Contribution to / (from) General Balances		543,574			
Contribution to / (from) Budget Strategy support reserve	(257,970)		334,896	(813,902)	5,217
<b>Projected Funding</b>	<b>(14,962,858)</b>	<b>(14,159,963)</b>	<b>(13,712,963)</b>	<b>(14,267,963)</b>	<b>(14,149,125)</b>

3.3 - The projections above reflect a funding gap for the period 2022/23 to 2024/25 of £3.082m (i.e. the financial gap between what the council needs to spend to maintain existing services and the funding available excluding the use of the Budget Strategy Support Reserve). The key assumptions for the preparation of these projections are explained below.

## GENERAL

- 3.4 - The net costs of services have been estimated by using the approved 2020/21 base budget as the base for future projection's though to 2024/25.
- 3.5 - This has included general inflation at 2% on insurances, utilities, postage, IT maintenance agreements and non-domestic rates. Where information is available, major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement. Historically, annual premises repairs and maintenance budgets have not been inflated which has resulted in increased pressure to be able to maintain and run the council's buildings within budget each year as prices continue to rise. To address this, inflation at 2% has been included in each of the years within the MTFs.
- 3.6 - An inflationary increase of 2% on shared service contracts has been included to take account of the increase in staff costs incurred in employing councils which will be recharged to the council.
- 3.7 - Following a review of the council's environmental services provided by Ubico, it was evident that under investment over a period of time needed to be addressed resulting in the requirement to increase the contract sum for 2019/20 significantly. However, the contract sum is now stabilised with more certainty over future increases arising from pay and price inflation.



## **EMPLOYEE RELATED COSTS**

- 3.8 - For budget modelling, a 2% increase has been assumed throughout the duration of the MTFS post 2021, although it is assumed a pay rise of 1% will be offered in 2021/22 in line with expectations across the whole Public Sector.
- 3.9 - The net cost of service assumes an employee turnover saving of £372k per annum by the Council, which equates to 5.5% of base salary budget. This is allocated across service areas according to headcount and gives managers clear cash targets within which they have to manage.
- 3.10 - The Council is part of the Gloucestershire Pensions Fund, which is administered by Gloucestershire County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary. The triennial revaluation of the Fund based on the position as at 31st March 2019, found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date.
- 3.11 - Contribution rates are calculated on an individual basis for each participating employer. For the Council's element of the fund, the funding level was assessed at 88% (compared with 65% in 2016), with a shortfall of £38.998m. The fund actuary is aiming for this deficit to be recovered over a 17 year period, giving the following target contribution rates for the Council for this three-year valuation period:
- a 20.0% future service rate which should cover the liabilities scheme members will build up in the future, plus
  - an annual lump sum past service deficit contribution (£2.882m in 2021/22), to cover the shortfall in the Fund.
- 3.12 - An increase of 2% per annum has been assumed on members' allowances, in line with the anticipated employee annual pay award, with 1% being awarded in 2021/22. This inflation is included within staff costs and totals c. £7k per annum.

## **FEES AND CHARGES**

- 3.13 - In previous years, a general assumption for a 2% increase in non-statutory fees and charges has been factored in. However, this has resulted in an increasing necessity to freeze prices within certain service areas that would be detrimentally impacted as a result either through local pressures or as a result of national legislative requirements.

The MTFS no longer assumes a 2% inflationary increase

- 3.14 - Rather than continue with this approach, the MTFS no longer assumes a 2% inflationary increase but instead has opted for a fundamental year on year review of fees and charges to ensure they consider the costs of service provision, legislative requirements and competitive pricing structures.

## **RETAINED BUSINESS RATES**

- 3.15 - The Business Rates Retention Scheme was introduced on 1st April 2013. Under the Scheme, the Council retains some of the business rates raised locally. The business rate yield is divided – 50% locally and 50% to the Government. The Government's share is paid into a central pool and redirected to local government through other grants. Of the 50% local share, the district councils' share has been set at 80%, with the County Council's share being 20%. A tariff is applied to reduce the local share to a baseline funding level set by the Government. Where the value of retained business rates exceeds the baseline funding level, 50% of the surplus is paid over to the Government as a levy; the remaining 50% can be retained by the Council.
- 3.16 - In order to maximise the value of business rates retained within Gloucestershire, the Council entered into the Gloucestershire Business Rates Pool. Being a part of the Pool has the benefit of reducing the government levy from 50% to 15.32%. Any surpluses generated by the Pool are allocated in accordance with the governance arrangements agreed by the Gloucestershire councils.

“There is a high level of volatility in the business rates system”

- 3.17 - There is a high level of volatility in the business rates system, mainly due to the level and impact of appeals lodged against rateable values but also due to the natural turnover of businesses, properties being left empty or demolished and the increasing trend for commercial properties to be converted into domestic dwellings. This has been compounded by the impact of Covid-19. Changes to the value of businesses can have a significant impact upon the business rates collected. These factors make it difficult to predict the level of income the Council can retain in the future.

## **NEW HOMES BONUS (NHB)**

- 3.19 - The Government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use.
- Councils are free to spend the Bonus as they choose
- 3.20 - Councils are free to spend the Bonus as they choose, including on front-line services and keeping council tax low. Funding is split 80:20 between district and county authorities.
- 3.21 - The Council now includes 100% of its New Homes Bonus funding within base budget equating to £0.719m in 2021/22 under the current methodology.

## **COUNCIL TAX**

3.21 - The taxbase represents the total number of chargeable properties in the borough, expressed as band D. The net budget requirement is divided by the taxbase to calculate the level of council tax for band D each year. The Council's taxbase is forecast to increase by 0.80% each year for the purposes of modelling the MTFs and a council tax increase of £5 per annum is assumed from 2022/23.

## **FUNDING GAP**

3.22 - Given the expectations that government grant to district councils will reduce as a result of the business rates retention reset, fair funding review and phasing out of NHB, this Council faces a significantly more challenging financial position in the early years of the MTFs. The latest projections indicate a gap of £3.082m for the period 2022/23 to 2024/25, primarily as a result of the baseline funding allocation reset proposed in 2022 whereby the growth generated from business rates since 2013/14 will be redistributed based on need under the fair funding review.

3.23 - To enable time to deliver such a significant savings target over the period to 2024/25, to mitigate the financial risks captured in section 3 and to smooth out fluctuations in income levels a robust Reserves Strategy is required to supplement and support the Savings Strategy.

*"A robust Reserves Strategy is required to supplement and support the Savings Strategy."*



# 4. Reserves Strategy

## INTRODUCTION

“The council is aspirational and horizon scanning in the approach it takes to delivering its services, and supporting those it works with in partnership to ensure Cheltenham is a vibrant and desirable place to live, work and invest.”

- 4.1 - The council is aspirational and horizon scanning in the approach it takes to delivering its services, and supporting those it works with in partnership to ensure Cheltenham is a vibrant and desirable place to live, work and invest. As a result, when funding has become available either through budget underspends or one-off funding, a strategy of utilising opportunities for improving and investing in the town has been followed.
- 4.2 - However, recognising the change in the council's short to medium term finances through the impact of Covid-19 has required an alternative approach to be taken over the next few financial years with a focus on delivering services within approved budgets and enhancing the council's reserves to ensure it is able to meet any unforeseen costs in the future and also mitigate known risks and forecast cost pressures, particularly those arising from changes in the way local government is financed post 2022/23. This was also reflected in the recent peer review whereby they recommended we review inherent financial risks and build levels of reserves to withstand future uncertainty.

## **BUDGET STRATEGY SUPPORT RESERVE (BSSR)**

- 4.3 - As part of the 2016/17 budget setting process, the Budget Strategy Support Reserve (BSSR) was established to provide greater resilience and time for the council to embed its savings strategy and allow for slippage in savings delivery.
- 4.4 - The BSSR will need to be suitably resourced to not only mitigate any delay in the delivery of savings but also be robust enough to support any reported slippage during the MTFs period.
- 4.5 - The Savings Strategy detailed in Section 6, identifies a need to fund £0.474m from the Budget Strategy Support Reserve or General Balances.

## ***BUSINESS RATES RETENTION RESERVE (BRRR)***

- 4.6 - The potential move to 75% locally driven funding following the introduction of 75% Business Rates Retention will build in an increased risk of volatility in the council's financial planning. This needs to be appropriately managed and understood by the organisation as full reliance will be placed on the performance of the local economy with a drop in business rates income having the potential to force service re-prioritisation.
- 4.7 - The BRRR should aim to be maintained to a target of £500k to allow for the potential reduction in income arising from the risks as identified. There is currently £150k identified within general balances specifically to cover fluctuations arising from pooling arrangements. The council is already mitigating fluctuations in income levels arising from changes in the local economy and moving forward will face even greater exposure to such volatilities under the reformed retention system post Covid-19.
- 4.8 - Any Collection Fund and Pool surpluses over and above those assumed in the Savings Strategy are earmarked for the BRRR to ensure a base level of reserve is in place in advance of the implementation of 75% Business Rates Retention.

## ***GENERAL BALANCES***

- 4.9 - General Balances are held to protect existing service levels from reductions in income levels as a result of economic downturn and other unforeseen circumstances. CIPFA's Local Authority Accounting Panel (LAAP) issued a guidance bulletin on local authorities' reserves and balances.
- 4.10 - As part of the annual budget setting process and in reviewing the MTFS, the council needs to consider the establishment and maintenance of reserves. These can be held for three main purposes:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
  - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
  - A means of building up funds (earmarked reserves) to meet known or predicted requirements.
- 4.11 - The council has, over a number of years, earmarked significant funds for specific reserves. These are reviewed twice yearly by Full Council under the guidance of the Executive Director Finance and Assets (Section 151 Officer). Over the course of this MTFS, the value of earmarked reserves will be reduced as they are used to finance planned expenditure.

# 5. Savings Strategy

## INTRODUCTION

5.1 - As detailed in the previous sections, the council has a significant funding gap to resolve as well as a number of financial risks to manage arising predominately from Covid-19. Given the ambitious nature of the council and its desire to ensure Cheltenham is a place where residents, businesses and visitors wish to work, visit and live the savings strategy for the medium term must reflect these aspirations and not jeopardise these core priorities whilst recognising that the net cost of the council's services must reduce over time.

5.2 - In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts and driving sustainable economic growth- an immensely challenging task in the present climate.

"The Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set"

5.3 - The proposed key building blocks for the executive team structure of Place and Growth; People and Change; and Finance and Assets, together with a planned and proactive approach to the use of reserves, are the key drivers for delivering the budget strategy.

5.4 - The budget strategy looks inwards at service transformation and modernisation, outwards at economic growth, regeneration and investment, and relies heavily on collective ownership and oversight. The Council has an ambition to become more commercial in order to move towards a greater level of financial self-sufficiency. This will require a change at strategic level that will affect the whole organisation, taking into account the tight geography of the Borough, the pace of change desired and the high level of senior leadership buy-in required.

"The budget strategy looks inwards at service transformation and modernisation"

5.5 - The key mechanism for carrying out this strategy is the commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.

5.6 - The commercial strategy was adopted by Full Council in February 2018 with the vision "to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable".

5.7 - Part of our drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined

"Part of our drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns."

## **INTRODUCTION** *(continued)*

message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.

“Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation.”

- 5.8 - The budget strategy indicates broadly how the Council may close the projected funding gap over the period 2021/22 to 2024/25. In future years, it includes targets rather than necessarily specific worked up projections of cost savings and additional income to allow the Executive leads autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs. Holding adequate information upon which to base the allocation of scarce resources is essential to address under-met needs.

## **PLACE AND GROWTH**

A “place where everyone thrives”.

- 5.9 - Place and Growth – refers to “place shaping” in its widest sense – being clear on the ambitions for Cheltenham, gaining alignment and commitment from others on the scale of ambition, and having clarity of purpose, intent and delivery to make sure that Cheltenham is and continues to be an important destination and a “place where everyone thrives”.
- 5.10 - One of the strengths of the Cheltenham economy is its diversity; it has a great number of different sized businesses across a wide range of sectors, with a notable concentration of cyber and digital businesses. Mixed with its rich cultural offer of historic buildings, world renowned festivals, parks and open spaces it is able to draw investment, talent and visitors, building on its strong community foundations. The place strategy is closely linked to the commercial strategy. Driving growth, increasing gross value added (GVA), investment into Cheltenham, encouraging businesses to thrive and improving employment opportunities; the town’s economy will grow, as should the council’s income through business rates and council tax, providing longer term financial sustainability.

“Cheltenham is uniquely placed to grow.”

- 5.11 - Cheltenham is uniquely placed to continue its economic growth. The creation of a growth zone, as promoted in the Strategic Economic Plan (SEP), is to ensure the availability of quality employment land in proximity to the M5 motorway, attractive to businesses and with excellent connectivity throughout Gloucestershire and the rest of the UK. A recent economic study undertaken highlighted that Cheltenham has the UK’s largest concentration of cyber-tech business outside of London, seeing jobs growth of 48% in this sector over the last 5 years. Cheltenham continues to develop its attraction and depth of offer as a destination, a place to do business and a place of innovation and excellence.

## **PLACE AND GROWTH** *(continued)*

5.12 - The Golden Valley Development is a 200 hectare site adjacent to GCHQ in West Cheltenham. This will be the home of Cyber Central UK, the capital of cyber innovation, bringing together the brightest minds business, government and academia; spearheading the UK's mission to be a science superpower and global leader in cyber security.

Cyber-tech is one of the fastest growing industries in the UK as cyber-crime poses an ever greater threat to the UK economy and Critical National Infrastructure.

Cyber security is one of the fastest growing industries in the UK

“Cheltenham is spearheading the UK's mission to be a Science superpower and global leader in cyber”

5.13 - Initial estimates suggest that this site alone could generate significant additional business rates, of which under existing regulations, Cheltenham would retain 40%. There are obvious constraints such as planning, which will need to be considered alongside the Joint Core Strategy and furthermore the proposed changes to the Business Rates Retention Scheme mean that it is currently unclear how growth would firstly be retained by, and secondly shared between upper and lower tier authorities. It is also important to consider the wider impact and economic significance that Cyber Central will have – attracting a wide range of international investors, start-ups and other businesses. It will be a great driver for regeneration and investment to the existing communities.

5.14 - At the end of August 2019, the council completed the purchase of 112 acres (45 ha) of strategically important land which forms part of the West Cheltenham JCS allocation. This was the most expensive land purchase ever made by CBC. It will enable the delivery of the Cyber Central vision – which was formally launched on 17th September 2019 at Hub8 in Cheltenham. In June 2019 the government announced that Cyber Central had been awarded 'Garden Communities' status; now known as the Golden Valley Garden Community.

5.15 - The Council's £37.5m investment into this site will enable the rapid growth of the Cyber-Tech and other innovative industries as part of a thriving integrated community, a place where people can live, work and recreate. It is a significant step forward in achieving the Council's corporate plan priority of Cheltenham becoming the UK capital of cyber. Our Housing Investment Strategy commitment to deliver on the £180m investment in Housing across the Borough will play a leading role in shaping the residential aspect, working with Homes England and Cheltenham Borough Homes to create high quality homes that offer a range of tenures with security and affordability.

5.16 - Another aspect of the Place Strategy is reimagining the town centre, working with key partners and our community in understanding the mix of uses that will position Cheltenham as a retail, cultural, business and leisure destination. We are in unprecedented times as the retail sector adjusts to changing customer patterns and behaviours, exacerbated by the access to retail by the Covid-19 pandemic. Our focus is on creating a liveable town centre with community at its heart, driving footfall and inward investment.

# CHELTENHAM Jazz Festival



## PEOPLE AND CHANGE

- 5.17 - The people and change element of the budget strategy currently has three key areas of focus over the life of the savings plan:
- Savings following the creation of The Cheltenham Trust (TCT) which formed part of the original business case when the trust was created in 2014;
  - Savings targets arising from transformation and modernisation of service delivery within the authority;
  - Savings targets through initiatives to target climate change through efficiencies in the way we manage our land and buildings.
- 5.18 - The Place and Growth modernisation programme, which started in 2016, was superseded in 2019 with an organisational wide approach following a Cabinet agreed Case for Change.
- 5.19 - The Council wide modernisation programme has delivered cash savings towards its overall target, as set out in the MTFs, with further initiatives planned to generate additional savings over the next two years. Many opportunities for improving service delivery and operational efficiency have been identified via the Council's programme business process reviews.
- 5.20 - The modernisation programme is also undertaking a comprehensive review of all ICT applications to ensure they are still meeting business requirements and providing value for money. This also provides an opportunity to commit to longer-term contracts and fix prices to give the Council certainty of costs. A notable success has been the rollout of CIVICA Digital that now provides all residents and businesses a wide range of self-service options.
- 5.21 - The TCT moved into surplus at the end of 2019/2020 following an increased in commercial income generation activities. Despite the impact of Covid-19, the TCT has continued where it can to maximise commercial income with notable success such as the Heritage Café and the Garden Bar. The TCT has been very successful with securing external funding to help offset the impact from Covid. The Council has provided some transformation funding to the TCT to ensure they can continue to generate additional income but in a Covid sure way. The impact of Covid will mean the TCT will need to re-profile its business plan and financial forecasts.
- 5.22 - Following the review of the Executive Leadership Team, the organisational review has commenced and completion will ensure the Council and its resources are better aligned and connected against the Council's new operating environment and to ensure it best placed to meet the future opportunities and challenges ahead

## **PEOPLE AND CHANGE** *(continued)*

- 5.23 - Climate change is having a major impact on our planet. On 9 July 2019, Cheltenham Borough Council declared a 'Climate Emergency' and committed to become a net zero carbon council and borough by 2030.
- 5.24 - To help the council understand the actions that will be needed to address the climate emergency a 'carbon neutral Cheltenham' report was commissioned, which was approved in October 2019. The report, 'Carbon Neutral Cheltenham: Leadership through Stewardship', sets out the baseline carbon emissions for the council and the borough and a roadmap to achieving net zero carbon by 2030.
- 5.25- The Council's Covid-19 Recovery Strategy has carbon neutrality at its heart. The Council through its #cheltenhamzero partnership will bring forward initiatives to contribute to making Cheltenham Carbon Neutral by 2030. As part of this agenda the Council is
- 5.26 - committed to green growth and major initiatives such as Cyber Central and Minister Innovation Exchange will look to ensure carbon neutrality as a key aspect of these developments.

## **FINANCE AND ASSETS**

- 5.27 - Finance and assets – we recognises the continuing need for sound strategic financial planning in the context of uncertainty in the national local government finance landscape, and in a context where more of the authority's ongoing financial revenue will come from business rates or commercial opportunities with a potentially higher risk profile.
- 5.28- The outbreak of the Covid-19 pandemic in March 2020 caused a shock within the commercial property market globally and Cheltenham was not insulated from that. In relation to the council's commercial property portfolio a number of tenants agreed rent deferment plans but overall the relationship between ourselves and our tenants has been one of engagement and understanding to difficult business conditions. Overall the portfolio continues to perform well with high occupancy, rents holding firm with our small industrial portfolio performing the best.
- 5.29 - The opportunity to lease out surplus space within the Municipal Office (MO) was of high priority and the council has been successful in leasing a large amount of space to tenants with strong covenants which in the medium term is providing a good source of income return.
- 5.30 - Current market conditions have refocussed CBC's Asset Management Strategy to its own property portfolio ensuring that current income is secured in addition to further revenue generation through its owned assets either surplus to requirements or those that could be developed
- 5.31 - The relationship between how we develop, grow and utilise our assets such as the Municipal Offices, Swindon Road depot and our cultural assets needs to be influenced by our ambition for Place, how we use our assets strategically and in the long term to achieve the outcomes we want to see for the town and also the wider county of Gloucestershire.

5.32 - Active asset management of the authority's asset portfolio and maximising the return from the authority's own assets to help deliver a sustainable financial plan will be increasingly important and is a complex area. Decisions around the extent as to the commercial investment opportunities will heavily rely upon careful and sound strategic financial advice and support.

"Active asset management of the authority's asset portfolio and maximising the return from the authority's own assets to help deliver a sustainable financial plan will be increasingly important"

5.33 - In November 2020, the Cabinet and Council approved the Minster Innovation Exchange (MIE) project which received £3.114m of Government 'Getting Building Funding' and, coupled with Council investment of £1.057m and LEP funding of £500k, will deliver 'next generation' workspace for the young creative and cyber tech business community on an underutilised car park in the town centre. The building will provide workspace, training facilities (including a 'war room' for developing and testing cyber security systems); provide a permanent all year round presence and home for Cheltenham Festivals and include a new commercial 'state of the art' event space and café. The funding will also pay for public realm improvements to the neighbouring St Marys Minster churchyard resulting in a major regeneration scheme which will create a cultural and creative hub linked to the Wilson art gallery and museum in a run-down area of town which currently attracts significant anti-social behaviour.

5.34 - The project is an innovative collaboration with a group of local private sector entrepreneurs badged as Workshop Cheltenham (WSC) with whom the Council is creating a Limited Liability Partnership (LLP). The Council is facilitating the delivery of the project on a piece of land swapped with Gloucestershire County Council which will be let to the LLP on commercial terms. The Council's investment will also be on commercial basis and a profit sharing arrangement has been agreed between the Council and WSC which will see additional returns to the Council over the initial 10 years period of operating the MIE.

5.35 - The building will also house a tier 2 growth hub which will support business development as part of a national network of growth hub facilities. This will provide a stimulus to businesses in the local economy and is part of the Council's post Covid recovery plan.

5.36 - The MIE is seen as the catalyst for the wider Golden Valley Cyber development which aims to be the Cyber capital of the UK. MIE will provide incubator space for companies which may grow and migrate to Golden Valley and will support the development of the cyber ecosystem. MIE aims to be a key component in the drive to build drive up economic growth and help with the retention of young people and talent in the County.

5.37 - October 2019 marked the introduction of the CBC Commercial Services Board. The CSB was formulated with the support of public sector commercial development expert; David Elverson. The aim of the CSB is to manage and oversee the operational commercial activities of CBC and to make sure that income generation or cost saving initiatives are in line with CBC's commercial strategy.

5.38 - The key responsibilities of the CSB include:

- Developing and maintaining the commercial framework which is the basis for all of the council's commercial activity
- Overseeing all commercial projects/ initiatives
- Providing advice to service managers on the development of commercial opportunities
- Assisting with commercial business plan writing and financial modelling
- Ownership of the commercial projects register
- Providing analysis of the performance and impact of projects and the contribution towards efficiencies and additional income targets
- Providing recommendations and advice to Members and ELT on the approval of commercial business plans
- Highlighting any potential commercial conflicts of interest to the ELT for direction
- To implement KPI's and measure the success of commercial projects/ initiatives

5.39 - The principles of the settlement allow authorities to spend locally what is raised locally. In order to do this it needs to grow its taxbase through growth, regeneration and reasonable tax increases. It also needs to ensure the taxbase is maximised through effective management and by using measures available, including counter fraud, reducing the number of empty premises and working effectively within the parameters of the planning process with regards to land supply.

## **USE OF RESERVES**

5.40 - As has been outlined in section 5, the savings strategy will take time and resource to deliver and the relative needs baseline reset exacerbates the financial position. The council must therefore draw on its reserves to provide short-term support, specifically the Budget Strategy Support Reserve (BSSR).

## **RESOURCE PRIORITISATION**

5.40 - The targets set in the Savings Strategy will be challenging and the level of resource and capacity required to deliver them should not be underestimated. Both budget realignment and one-off budgetary provision is likely to be needed to provide sufficient resource to deliver such an ambitious Savings Strategy. The Cabinet and Executive Leadership Team should ensure that resource is focussed to deliver the key priorities outlined in the strategy which will ensure the council's financial future and avoid budget cuts whilst ensuring that appropriate budgetary provision is made for identified funding needs.

5.41 - As such, if resource is not successfully prioritised and officers' time is diverted from the delivery of the Savings Strategy the challenging targets will not be delivered and the council's financial future will be detrimentally impacted. The financial risks around the changes to local government finances and the national financial climate outlined in section 2 clearly explain why the council's focus must be on delivering the Savings Strategy in the medium term which in turn may require other corporate priorities to be pushed into the longer term.

# 6. Conclusion

6.1 - The council has a track record of strong financial management but is now in a period of significant volatility and uncertainty. The council must plan now to ensure its financial position is protected across the medium term as changes to local government finances crystallise and the implications are known.

“The council has a track record of strong financial management”

“To ensure financial stability and sustainability”

6.2 - Both the Reserves and Savings Strategy should be followed in tandem, with Cabinet and the Executive Leadership Team leading the way with delivery to ensure financial stability and sustainability with the achievement of the council’s vision for the future of Cheltenham.

6.3 - The Cabinet believes the longer term approach to finding efficiencies to close the funding gap is fundamentally through economic growth, regeneration and investment and the efficient utilisation of our assets; linking our Place and Commercial Strategies to ‘Invest in Cheltenham, for the benefit of Cheltenham’. This has seen a place focused investment approach offering long term investment, income through rents as well as other social and financial benefits. The Executive leadership team’s collaborative approach has enabled considerable progress.





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## **Pay Policy Statement**

For all employees at Cheltenham Borough Council  
2021 - 2022

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## 1. Purpose

- 1.1. This Pay Policy Statement (The Statement) is provided in accordance with Section 38(1) of the Localism Act 2011 and will be updated annually prior to the commencement of the new financial year.
- 1.2. The Statement sets out Cheltenham Borough Council's (The Council) policies relating to the pay of its workforce for the financial year 2021-2022, in particular: -
  - o the remuneration of its Chief Officers
  - o the remuneration of its lowest paid employees
  - o the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

## 2. Definitions

2.1. For the purpose of this Pay Policy Statement the following definitions will apply:

- o **Chief Officers** as detailed in paragraph 7.1 of the document.
- o **Lowest paid employees** of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1 April 2021 the Grade A band was £18,382 per annum, with only one pay point. This is in line with the Real Living Wage (see paragraph 12).
- o **Employees who are not Chief Officers** - refers to all staff not covered under the Chief Officer group detailed above.

At the time of publication of this policy statement no annual pay award has been agreed for 2021-2022.

## 3. Pay framework & remuneration levels

3.1. Remuneration at all levels needs to be adequate to secure and retain high-quality employees dedicated to fulfilling the council's business objectives and delivering services to the public. This has to be balanced by ensuring remuneration is not, nor is seen to be unnecessarily excessive. Each council has responsibility for balancing these factors and each council faces its own unique challenges and opportunities in doing so. Flexibility to cope with various circumstances that may arise is retained by the use of market supplements. (See Market Forces Supplement section below) for individual categories of posts where appropriate.

## 4. Responsibility for decisions

4.1. The Council is a member of the local government employers association for national collective bargaining in respect of Chief Executives, Chief Officers, and all other employees.

Listed below are the separate negotiations and agreements in respect of each of these three groups.

- Chief Executives - Joint Negotiating Committee for Local Authority Chief Executives (ALACE is normally the negotiating body for pay, unless varied locally);
- Chief Officers – Joint Negotiating Committee for Chief Officers of Local Authorities
- All other employees – National Joint Council for local Government Services.

In addition to pay, the national agreements cover other terms and conditions such as:

- Pension
- Occupational sickness scheme
- Maternity scheme
- Overtime

### **5. Grading framework & salary grades**

#### **5.1. Grading framework**

The Chief Executive and Chief Officers have their basic pay determined by a job evaluation scheme (the Hay scheme).

All other employees have their basic pay determined by a different job evaluation scheme (the National Joint Council Job Evaluation scheme). Both schemes ensure that different jobs having the same value are paid at the same rate. The “job score” determines the pay grade for the job. With the exception of the Head of Paid Service who is on a spot salary grade (with no provision for incremental progression nor additional payment on completion of a period of service), all other pay grades have between two and seven incremental points.

Employees move up one incremental point per year. Annual increments within a pay band shall be payable until the maximum incremental point of the grade is reached subject to the line manager being satisfied that an employee has achieved a suitable standard of performance. Increments may be accelerated or withheld based upon outstanding or poor performance respectively.

Annual increments will be payable on 1 April each year to the maximum of the grade. Employees must have completed a minimum of six months service in their current post to qualify for an increment at 1 April.

For clarity, employees starting in their current post between 1 April and 1 October receive an increment, if applicable, the following April. Employees starting after 1 October and before 1 April receive an increment, if applicable, after six months in the post.

Job evaluation is carried out for all new roles, for roles where a substantial change of duty has occurred, or as required as a result of an equal pay audit. A fair and transparent process is in place for managing job evaluations, which includes Trade Union input, and moderation of evaluation outcomes to ensure consistency of application of the scheme. Equal pay audits are carried out as required.

#### **5.2. Shared posts/lead employer**

Where these are agreed and set in place, the costs of any role are appropriately apportioned and recharged via the employment/secondment/management agreement. Such roles, where the Council is the employer, are evaluated according to the Council’s existing job evaluation scheme.

#### **5.3. Salary grades**

A full list of the Council’s salary grades and associated spinal column pay points can be found in Annex A.

At the time of publication of this policy statement no annual pay award has been agreed for 2021-2022.

### **6. Electoral registration and returning officer**

The scale of fees for this role is approved by the Gloucestershire Elections Fees Working Party for local elections, or the relevant scales of fees prescribed by a Fees Order in respect of national, regional or European Parliament elections, polls or referendums.

<http://www.legislation.gov.uk>

The fees constitute payments for separate employment and in most cases are eligible for superannuation purposes.

The fees are paid as part of the election account for each election and all costs, including employer superannuation costs, are recovered from the body responsible for the assembly to which candidates are being elected, or for which a poll or referendum is being carried out.

The Electoral Registration and Returning Officer for the Council is the Executive Director Finance and Assets.

### 7. Remuneration - level & element

#### 7.1 Chief Officers - figures as at 01/4/2020 (See Annex B)

Chief Executive	Director Level Band 1	£112,246 - £122,936 p.a.
No employees currently	Director Level Band 2	£86,776 - £100,298 p.a.
Executive Directors/MD Place & Growth	Director Level Band 3	£72,762 - £84,091 p.a.
Director	Director Level Band 4	£60,202 - £68,684 p.a.

#### 7.2. Non Chief Officers

Employees 11 Grades A to K (see Annex A)

#### 7.3. New starters joining the Council

Employees new to the Council will normally be appointed to the first point of the salary range for their grade. Where the candidate's current employment package would make the first point of the salary range unattractive or where the employee already operates at a level commensurate with a higher salary, a higher salary point within the pay grade for the post may be considered by the recruiting manager. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary range. These arrangements apply to all posts up to the level of Chief Officer.

In professions where there is a particular skills shortage, as a temporary arrangement, it may be necessary to consider a market supplement to attract high quality applicants. The level and duration of premium will be determined by reference to a combination of national comparators, local conditions, recruitments difficulties, inflation, and whether the post has recently been advertised and the process has been unsuccessful.

Guidance set out by the Secretary of State states Full Council should be given the opportunity to vote before large salary packages are offered in respect of new appointments. The guidance states a threshold of £100,000 should be set. This Council acknowledges this guidance and is committed to seeking Full Council approval for any new appointment in excess of £100,000.

#### 7.3. Lowest paid employees

Lowest paid employees of the Council are defined as those employees (excluding Apprentices) who are in a full time or part time role, who are above the age of 21, and are paid within Grade A of the Council's Job Evaluation scheme (the lowest band). As at 1<sup>st</sup> April 2021 the Grade A band was £18,382 per annum, with only one pay point, which is in line with the Real Living Wage (see paragraph 12).

For pay comparison purposes the top of pay grade will always be used.

### **7.4. Relationship between remuneration of highest paid employee (Chief Officer) and lowest paid employee**

The Council does not explicitly set the remuneration of any individual or group of posts by reference to a simple multiple of another post or group of posts. The use of multiples cannot capture the complexities of a dynamic and highly varied workforce in terms of job content and skills required. In terms of overall remuneration packages the Council's policy is to differentiate by setting different levels of basic pay to reflect differences in responsibilities but with the exception of overtime payments not to differentiate on other allowances, benefits and payments it makes.

The Council aims to pay no more than median salary levels when looking at market rates, and in the case of senior roles it will seek to maintain pay differentials well within the parameters recommended by the pay and pensions review (1:20). For the Council, using the salary information as at 1<sup>st</sup> April 2021 the current ratio of highest paid to lowest paid is 1:6. The ratio between the highest paid salary and the median paid salary of the Council's workforce is 1:4.

Lowest paid employee (Top of current salary band Grade B)	£18,933
Mean paid employee (Average salary band of all employees up to & including Chief Officers)	£30,982
Median paid employee (Middle Salary band value of all employees up to & including Chief Officers)	£26,511
Highest paid employee	£119,728

### **7.5. Bonuses**

The Council does not operate any bonus schemes for any chief officer or any other employee.

### **7.6. Performance related pay**

Other than incremental progression through the pay grade of a post (see section 5.1) the Council does not operate performance related pay for any chief officer or any other employee.

### **7.7. Pay protection**

The Council seeks to ensure that all employees receive equal pay for work of equal value. To be consistent with equal pay principles the council's protection arrangements will not create the potential for pay inequalities (e.g. open-ended protection).

There may be times when the grade for an individual's role changes for reasons unrelated to their performance e.g. restructures, In such cases the protection arrangements outlined will apply for 12 months from the date of the change.

### **7.8. Severance payments**

The Council has a consistent method of calculating severance payments which it applies to all employees without differentiation. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment.

In line with the statutory redundancy payment scheme, the Council calculates redundancy severance payments using the following calculation. The calculation is based on an employee's age and length of continuous local government service (please note that employees must have a minimum of 2 years' continuous service to qualify for a redundancy payment) the multiplier for the number of weeks is then applied to the employee's actual weekly earnings.

The amount of redundancy pay will be calculated as:

- 0.5 week's pay for **each full year of service** where age at time of redundancy is less than 22 years of age
- 1.0 week's pay for each **full year of service** where age at time of redundancy is 22 years of age or above, but less than 41 years of age
- 1.5 weeks' pay for **each full year of service** where age at time of redundancy is 41+ years of age

The maximum number of years' service taken into account is 20. The maximum number of weeks pay is 30 for anyone aged 61 years of age or older with 20 years or more service.

Guidance set out by the Secretary of State states Full Council should be given the opportunity to vote before large severance packages are offered and arrangements are finalised for employees leaving the organisation. The guidance states a threshold of £95,000 should be set. This Council acknowledges this guidance and is committed to seeking Full Council approval for any severance packages (including salary paid in lieu, redundancy compensation, pension entitlements/costs, holiday pay, fees or allowances) offered by the authority in excess of £95,000. See below links:

Link to guidance <https://www.local.gov.uk/reform-local-government-exit-payments>

Link to legislation <https://www.legislation.gov.uk/ukdsi/2020/9780348210170>

### **7.9. Settlement agreements**

In exceptional circumstances to avoid or settle a claim or potential dispute, the Council's Head of Paid Service may agree payment of a settlement sum on termination.

All cases must be supported by a business case and take account of all legal, financial, contractual and other responsibilities. The level of payment will be taken on the individual merits of the case and with approval from the HR Manager/Head of HR and the Executive Director of Finance & Assets.

### **7.10. Pension - The Local Government Pension Scheme (LGPS) and policy with regard to the exercise of discretions**

Pension provision is an important part of the remuneration package. All employees may join the LGPS. The LGPS is a statutory scheme with contributions from employees and from employers. For more comprehensive details of the LGPS please visit the following web page:-

<http://www.lgps.org.uk>

For district councils in Gloucestershire, the LGPS is administered by Gloucestershire County Council. For information please visit the following web page:

<http://www.gloucestershire.gov.uk>

Neither the LGPS nor the Council adopt different policies with regard to benefits for any category of employee: the same terms apply to all employees of the Council.

The LGPS provides for the exercise of discretion that allow for retirement benefits to be enhanced. The Council will consider each case on its merits but has determined that it does not normally enhance pension benefits for any of its employees (see the LGPS Statement of Policy/Discretions on the Council's website). This policy statement reaffirms this in respect all employees.

The LGPS provides for flexible retirement. The LGPS requires a minimum reduction in working hours and/or that there is a reduction in grade and that any consequential payments to the pension fund are recoverable within a set pay back period. (See section below)

### **7.11. Early/flexible retirements**

The precise terms of the Council's policy are discretionary and may be varied unilaterally.

Subject to the criteria of the policy and service delivery needs being met, any employee over the age of 55 and who is a member of the Local Government Pension Scheme (LGPS) can request to either reduce their hours or take a job at a lower grade/rate of pay and gain access to their pension even though they have not retired.

It is the intention of the Council that this facility be used in order to provide employees with the opportunity to take a one-off step towards permanent retirement. Any agreed requests will be treated as a permanent change to an employee's contract of employment.

### **7.12. Honorarium payments**

The Council has a responsibility to ensure equal pay for all employees and so the use of honoraria payments should be carefully considered, and be capable of justification. A payment can be made for the following reasons:-

- To recognise a *specific* contribution that an employee has made by making a single payment to him/her,

**Or**

- To recognise that an employee is temporarily undertaking some but not all the additional responsibility of a higher graded role for a continuous period of at least four weeks by making a regular monthly payment to them during that temporary period.

### **7.13. Acting up allowances**

'Acting Up' is when an employee is authorised by their line manager to provide cover for a more highly graded post for an agreed period of time.

The payment ('acting up' allowance) is a temporary payment and will be made to the individual employee for covering the duties of the higher graded job for the agreed period of time. The policy applies to all employees. The supplement to be paid will be the difference between the employee's current salary and depending on experience up to the second scale point of the grade relating to the higher level post. The payment will cease on completion of the 'acting up' period and the employee's salary will revert to that which it would have been had 'acting up' not occurred.

### **7.14. Market forces supplement**

The Council is committed to the principles of single status employment and seeks to ensure employees receive equal pay for work of equal value.

In some circumstances it is necessary to ensure the effective recruitment and retention of employees and to pay individuals and/or groups of employees a premium rate to reflect the market competitiveness of the job. Any market supplement must be provided for from within existing budgets and be objectively justifiable. The job evaluation determined grade for that post will not be changed. Market supplements will be paid as a temporary fixed allowance. The supplements will be reviewed bi-annually and consequently can be withdrawn, should the review demonstrate that current evidence does not justify a supplementary payment continuing. Should such a supplement continue to be paid for an extended period, e.g. several years or more, the need for continuation will be examined carefully during the annual review in order to ensure that such continuation continues to be objectively justifiable in the circumstances.

## **8. Reimbursement of expenses**

### **8.1 Travel & subsistence**

The Council will meet or reimburse authorised travel and subsistence costs for attendance at approved business meetings and training events. Claims should be submitted via the agreed process, be supported by appropriate receipts in all cases and authorised by the appropriate line manager.

The Council pays the HMRC mileage rate of 45 pence per business mile.

The Council does not regard such costs as remuneration but as non-pay operational costs.

### **8.2 Disturbance allowance**

All employees who incur additional costs arising from a compulsory change in their work place will be reimbursed in accordance with the Council's Disturbance Allowance policy. Claims should be submitted via the agreed process, be supported by appropriate receipts in all cases and authorised by the appropriate line manager. The Council does not regard such costs as remuneration but as non-pay operational costs.

### **8.3. Relocation expenses**

The Council operates a scheme of relocation allowances to assist new employees who need to move in order to take up an appointment with the Council. Relocation allowances are paid at the discretion of the Directors (or Appointment Committee for Chief Officers and above) where they think that it is essential to pay such allowances in order to attract the right candidate for the job.

The same policy applies to Chief Executive, Chief Officers and other employees in that payment will be made against a range of allowable costs for items necessarily incurred in selling and buying a property and moving into the area. The costs include estate agents fees, legal fees, stamp duty, storage and removal costs, short term rental etc up to the value of £8,000 (including VAT). An employee who leaves within 2 years of appointment will have to make a repayment of 1/24<sup>th</sup> for each month short of the 2 year period.

### **8.4. Professional fees & subscriptions**

The Council meets the cost of one annual professional membership body fee or subscription where it is a statutory requirement for the role or it is directly aligned to the professional discipline of the role.

Where applicable, the Council also meets the cost of membership of SOLACE (Society of Local Authority Chief Executives).

## **9. Re-employment of former Council employees**

With regards to re-employing former local government employees who have been made redundant, in line with LGA guidance **if there is less than a 4 week gap between the date the employee was made redundant from the Council/a body under the modification order and the date of joining/re-joining a Council the employee will be required to repay their redundancy payment to their previous employer as continuity of service will be protected and their employment classed as continuous.** If the gap is longer than 4 weeks the employee can retain their payment as continuity of service will have been broken and continuous service will not be protected.

## **10. The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011**

The Council notes the discretion and confirms that it will not make use of this discretionary power.

## **11. Trade union recognition and facility time**

The Council supports the system of collective bargaining and the principle of solving employee relations problems by discussion and agreement.

The Council recognises two trade unions for collective bargaining purposes. These are GMB and Unison. All parties recognise that it is vital to good employee relations for the workforce to be properly represented. Furthermore all parties believe that a truly representative and effective union will enhance workforce employee relations.

The Trade Union and Labour Relations (Consolidation) Act 1992 sections 168 and 170 make provision for employees to be given the right to take reasonable time off under various circumstances. Trade Union representatives engaged on recognised duties will be given reasonable paid time off during normal working hours to carry out functions related to their representational responsibilities. The table below contains the estimated amount of reasonable time permitted for TU activity/duties over a normal business year.

**The Council does not have any full time trade union representatives in its employment.**

\*business year assumes TU reps each have 25 days annual leave. Calculation based on 47 weeks per year

Activity/duty	Estimated hours per week	No of reps	Total estimated time per business year.*
Case management & advice to membership	Average 1 hours per week	2	94 hours
Training	Average 0.5 hours per week	2	47 hours
Health and Safety	Average of 1 hours per week	2	94 hours
Corporate meetings, TU meetings and prep time	Average 0.5 hours per week	2	47 hours
<b>Estimated total hours</b>			<b>282 hours</b>
<b>Estimated average total hours per TU rep per week</b>		<b>3 hours per week</b>	

**12. The Real Living Wage**

The Council complies with all the statutory requirements of the National Minimum Wage and National Living Wage. The majority of the Council’s employees are on Grade C, point 5C, £10.01 and above which is higher than the statutory rates.

**The Real Living Wage (RLW)** as set by the Living Wage Foundation is not a legal requirement but a recommended hourly rate set independently and updated annually. The RLW is calculated by the Centre for Research in Social Policy whilst the London LW is calculated by the Greater London Authority and is based according to the basic cost of living in the UK.

Employers **can choose to** pay the RLW on a voluntary basis.

The Council has chosen to pay the RLW hourly rate to **all eligible employees** by way of an additional Living Wage Allowance. The Council will review its decision to pay the RLW annually at the Budget Setting Council meeting.

**The Real Living Wage rates effective 1 November 2020 are:**

- £9.50 (per hour) UK rate outside London
- £10.85 (per hour) UK rate for London

**13. Other operational/non-operational pay and conditions**

Other pay and conditions in operation, as follows:

- Shift premium
- Stand by and call out payments
- Premium for bank holiday/public holiday working
- Long service award
- Enhanced leave – buy or sell up to an additional 5 days' leave.
- Training fees reimbursement (post entry training scheme)
- Employee welfare service
- Eye test voucher scheme

#### **14. Publication and access to information**

The publication of and access to information relating to remuneration of the Council's Chief Officers will be published annually on the Council's website.

## Annex A

Cheltenham Borough CouncilUpdated April 2020 &  
Living Wage April  
2021

## New pay scales following pay award April 2020

Payroll	Payroll	New	NEW		WEEKLY	HOURLY	JE Points
SYSTEM			2020				
SCP	GRADE	NJC	Annual Salary	MONTHLY	Weekly RATE	Hourly RATE	Score
GRADE		SCP	April 2020	SALARY	37 hr week	37 hr week	
LW	Living Wage		£18,328	£1,527.33	£351.50	9.50	0-294
1A	Grade A	1	£18,328	£1,527.33	£351.50	9.50	
2A	Grade A	2	£18,328	£1,527.33	£351.50	9.50	
3B	Grade B	3	£18,562	£1,546.83	£355.99	9.62	295-344
4B	Grade B	4	£18,933	£1,577.75	£363.10	9.81	
5C	Grade C	5	£19,312	£1,609.33	£370.37	10.01	345-394
6C	Grade C	6	£19,698	£1,641.50	£377.78	10.21	395-444
7D	Grade D	7	£20,092	£1,674.33	£385.33	10.41	
8D	Grade D	8	£20,493	£1,707.75	£393.02	10.62	
9D	Grade D	9	£20,903	£1,741.92	£400.89	10.83	
10D	Grade D	10	£21,322	£1,776.83	£408.92	11.05	
11D	Grade D	11	£21,748	£1,812.33	£417.09	11.27	445-494
12E	Grade E	12	£22,183	£1,848.58	£425.43	11.50	
13E	Grade E	13	£22,627	£1,885.58	£433.95	11.73	
14E	Grade E	14	£23,080	£1,923.33	£442.64	11.96	
15E	Grade E	15	£23,541	£1,961.75	£451.48	12.20	
16E	Grade E	16	£24,012	£2,001.00	£460.51	12.45	
17E	Grade E	17	£24,491	£2,040.92	£469.70	12.69	495-544
18E	Grade E	18	£24,982	£2,081.83	£479.11	12.95	
19F	Grade F	19	£25,481	£2,123.42	£488.68	13.21	
20F	Grade F	20	£25,991	£2,165.92	£498.47	13.47	
21F	Grade F	21	£26,511	£2,209.25	£508.44	13.74	
22F	Grade F	22	£27,041	£2,253.42	£518.60	14.02	545-594
23F	Grade F	23	£27,741	£2,311.75	£532.03	14.38	
24G	Grade G	24	£28,672	£2,389.33	£549.88	14.86	
25G	Grade G	25	£29,577	£2,464.75	£567.24	15.33	595-644
26G	Grade G	26	£30,451	£2,537.58	£584.00	15.78	
27G	Grade G	27	£31,346	£2,612.17	£601.17	16.25	
812	Grade H		£32,027	£2,668.93	£614.23	16.60	
813	Grade H		£33,270	£2,772.54	£638.07	17.24	645-694
814	Grade H		£34,513	£2,876.06	£661.90	17.89	
815	Grade H		£35,751	£2,979.24	£685.64	18.53	
722	Grade I		£36,465	£3,038.75	£699.34	18.90	645-694
723	Grade I		£37,874	£3,156.14	£726.36	19.63	
724	Grade I		£39,300	£3,274.99	£753.71	20.37	
725	Grade I		£40,711	£3,392.55	£780.76	21.10	

632	Grade J		£41,363	£3,446.92	£793.28	21.44	695-744
633	Grade J		£43,103	£3,591.88	£826.64	22.34	
634	Grade J		£44,842	£3,736.85	£860.00	23.24	
635	Grade J		£46,592	£3,882.67	£893.56	24.15	
542	Grade K		£47,497	£3,958.10	£910.92	24.62	745 +
543	Grade K		£49,642	£4,136.80	£952.05	25.73	
544	Grade K		£51,774	£4,314.47	£992.94	26.84	
545	Grade K		£53,914	£4,492.83	£1,033.98	27.95	

## Annex B

**Cheltenham Borough Council**  
**PEI Grades 4 to 1**  
**(JNC Chief Officer conditions of service)**  
**1st April 2020**

SCP	GRADE DESCRIPTION	April 2020	MONTHLY SALARY	HOURLY RATE
454	Grade 4 - Director Level	£60,202	£5,016.85	£31.20
455	Grade 4 - Director Level	£63,022	£5,251.81	£32.67
456	Grade 4 - Director Level	£65,855	£5,487.88	£34.13
457	Grade 4 - Director Level	£68,684	£5,723.69	£35.60
364	Grade 3 – Director Level	£72,762	£6,063.53	£37.71
365	Grade 3 – Director Level	£76,534	£6,377.86	£39.67
366	Grade 3 – Director Level	£80,304	£6,692.02	£41.62
367	Grade 3 – Director Level	£84,091	£7,007.55	£43.59
274	Grade 2 – Director Level	£86,776	£7,231.37	£44.98
275	Grade 2 – Director Level	£91,276	£7,606.33	£47.31
276	Grade 2 – Director Level	£95,798	£7,983.16	£49.65
277	Grade 2 – Director Level	£100,298	£8,358.20	£51.99
279	CEO	£112,246	£9,353.85	£58.18
280	CEO	£116,522	£9,710.13	£60.40
281	CEO	£119,728	£9,977.37	£62.06
282	CEO	£122,936	£10,244.69	£63.72

**For more information about this Statement and/or its content please contact the Public HR Manager (acting on behalf of the Council) on**

**01242 264355 or email [HR@cheltenham.gov.uk](mailto:HR@cheltenham.gov.uk)**

**Please note all HR policies referred to in this statement are available on request.**

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## Budget Consultation 21/22 questions from members of the public

<b>1.</b>	<b>Received 22<sup>nd</sup> January 2021</b>
<b>1.</b>	<p>Looking over the Cheltenham Borough Council 2021/2022 budget proposal I was incredulous to see that even after the year we have had with Covid 19 causing massive economic disruption and financial hardship to the already overtaxed ratepayer a proposal for an ill judged 2.34 percent rise in rates heaping yet more misery on the hard working ratepayers, it is to be regretted that the author even brags at sneakily limiting the rise so as to avoid democratic scrutiny by other breaching the referendum threshold. It would be better for the borough if the budget cut council tax to ease the draconian burden on taxpayers in these critical times.</p> <p>Three items in particular stand out :</p> <p>The proposal to spend 75000GBP per year on a carbon zero lead, another non job if the role needs doing at all it should be assigned as a secondary duty to an existing staff member in fact the current departmental managers should be doing this anyway. I note also that the role is in the budget for three years how on earth would they fill up their days? Looks like ratepayers money squandered on tokenism given the impact of the whole UK being carbon neutral never mind Cheltenham when compared to the Carbon output of Chins/India/USA is nearly zero.</p> <p>I find it incongruous that in the same document that talks about carbon neutral we have reference to a plan to build 4000 new houses about the most carbon guzzling action I can think of. population increase is a major cause of global warming Cheltenham is full don't build any more houses on greenfield sites even if they are heated by heat pumps that would be Carbon neutral.</p> <p>The proposal to employ apprentices is a good idea if the end result is after an induction period to replace current lowest performing staff with cheaper more performant ex apprentices. If however it's just loading headcount with deadweight then it's a really bad idea. In the former case I would expect to see the future savings in the budget.</p> <p>The proposal to spend 75000 per year on a business development lead, two points ,what on earth does a council know about business ,how could a person whose cost of funding was a paltry 75000 possibly add any value, why not cut/eliminate business rates that would help business more than any crackpot schemes.</p>
<b>1.</b>	<p><b>Response from Cabinet Member</b></p> <p>The proposed level of council tax has taken into account both the funding needed to pay for the essential services provided by the council as well as the general economic situation faced by council tax payers. The council is still maintaining a flexible council tax benefit system to assist where there are problems paying. 4805 people are currently benefitting from this with 3139 getting 100% discount. It is also notable that the proposed rise for Gloucestershire County Council is 4.75% (£60 at Band D) and for Gloucestershire Police it is 4.99% (£12.88 at Band D). This compares to 2.34% (£5 at Band D) for Cheltenham Borough Council.</p> <p>Tackling climate change is a top priority for this council and indeed for the planet. The £75k mentioned is not for one specific post but to help resource carbon reduction projects and help the council to provide the leadership needed on this issue.</p>

	<p>Lack of affordable housing is a major problem for our local community and the council sees tackling it as another top priority. However, in doing this we are aiming for carbon neutrality when building new homes to help tackle climate change at the same time.</p> <p>I welcome the support for the proposed apprenticeships which should benefit both the apprentices in providing new career opportunities and the council.</p> <p>The council has no say in the level of business rates which are set nationally. However, the council is committed to supporting local businesses and investing in Cheltenham. We work closely with the Cheltenham Business Improvement District and have initiated the public/private partnership on the Cheltenham Economic Recovery Taskforce. This is in addition to major investments such as in the Golden Valley project. The fact that in 2019 the council won 'Best Commercial Council' award would indicate some success in the business world. We believe the extra £75k proposed for economic development is particularly important in helping the council play its full role in supporting economic recovery after the pandemic and again is not for one specific post.</p>
<b>2.</b>	<b>Received 12th January 2021</b>
<b>2.</b>	<p>CBC should stop wasting residents money on things that are the County Council's responsibility, highway improvements and economic development schemes that are sub-regional in scale such as the Cyber Park nonsense which in reality will just end up being another trade park. Attempts to create science parks in other places have all failed to deliver the claimed original aims. CBC needs to re-direct much larger resources to climate change mitigation actions that will keep basic services at an acceptable standard, i.e. maintaining parks and green spaces and keeping footways clear of storm debris. Stop trying to be bigger than you really are and do the basic stuff to the same standard that most other district councils manage, some with far less resources than Cheltenham has. If you want to play at economic development money would be much better spent on supporting individuals to progress upwards in the strong local job market than on subsidising big business to do what they will do anyway if there is a real market for more commercial floor space. How about bring jobs to the town centre where there is lots of vacant floor space and where employees will support the retail sector that does survive the current down sizing which in large part is the result of a laze fare approach over the past 40 years to out of town retail development.</p> <p>PS why aren't you doing an accessible budget consultation that actually seeks residents views on your spending plans?</p>
<b>2.</b>	<p><b>Response from Cabinet Member</b></p> <p>Providing local leadership was one of the major reasons why in 2019 the council won 'Best Commercial Council' award. So I make no apology for the council taking a lead of the Golden Valley development incorporating Cyber Central. The jobs and homes provided by this project will be massively important for the future of the town and wider area. The whole project is creating huge interest both locally and nationally. It is the council's involvement that will help ensure that as a new Garden Community the development does help tackle climate change and doesn't become just another trade park. In addition the Supplementary Planning Document already in place for this area sets out the expectations for low carbon development and wider protection of the environment.</p> <p>The council takes pride in quality of all the services it provides. It was interesting to note that a recent independent review carried out by White Young Green commented that the quality</p>

<p>of the parks and gardens in Cheltenham was not seen anywhere outside the royal parks in London. We would not wish to lower our standards.</p> <p>National planning laws over decades have made it more difficult to protect the town centre over out of town locations. Despite this the council has always seen the town centre as a priority and it is pleasing to see that it is still seen as a good place to invest. However it is clearly true that there is a rapid change in retail demand and there is reducing need for physical shops. One of the key roles for the Cheltenham Economic Recovery Taskforce, which brings together many key stakeholders, is to develop future options for the current retail area.</p> <p>The budget consultation follows all the rules set down and has included briefing meetings with various interest groups as well as the details being advertised on the council website. Given the circumstances of the pandemic and having only agreed a Covid Recovery Budget in November we haven't on this occasion carried out a wider public engagement exercise. However, this is something we do every few years particularly where any major changes are proposed to council spending plans.</p>
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**3. Received 11<sup>th</sup> January 2021**

<p><b>3.</b> Cheltenham Borough Council declared a climate emergency in July 2019. As a result of the climate crisis and ecological breakdown (the current covid crisis is a manifestation of both), we must move:</p> <ul style="list-style-type: none"> <li>a) towards diversity and away from monoculture</li> <li>b) towards long-term thinking; and</li> <li>c) away from a separation of sectors and disciplines towards an interrelationship between all sectors/disciplines.</li> </ul> <p>This must happen locally, as well as globally.</p> <p>Much of the councils' ambition for revival and employment seems to be centred on the Golden Valley project and employment in cyber. My concern is that this inadvertently produces another monoculture when what we need for covid recovery and to prepare for the greater impacts of the climate and ecological crisis is multi-culture.</p> <p>Society (like ecology) thrives on diversity. For a resilient, inclusive community, therefore, we must diversify. We have a university with one of the best ecology departments in the country (the University of Gloucestershire was named the most sustainable university in the country). Two agricultural colleges who could be pivotal in helping Cheltenham become self-sufficient in food and thrive off local produce. These are areas that Cheltenham must be integrating into its future plans. The talent and the capability is there, and council needs to show confidence in that talent and capability through investment and backing. The council could consider apprenticeships in this area (treecare teams are severely under-resourced, for example).</p> <p>Not only that: At the "Big Conversation" debate for Gloucestershire 2050 a few years ago, 14 to 24 year olds in Gloucestershire stated very clearly that they wanted jobs which helped people and protected and restored our environment rather than destroyed it. Future generations will be hit hardest by the impacts of climate and ecological breakdown and play a pivotal role in community resilience and development. For that reason, feedback from young people must be listened to and acted upon holistically at borough level, as well as county</p>
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	<p>level. Because if all young people are being offered is another, slightly different monoculture, we will not be making the most of all of the talent our town has to offer. We will repeat the cycle of underemployment and fail to stop the exodus of young people to other parts of the country. We will perpetuate imbalance instead of balance, which is what our response to the climate and ecological emergency requires us to achieve and then maintain.</p> <p>The government's own website refers to the pandemic as "unprecedented" (as does the Council's). If it is "unprecedented", it requires an unprecedented response, which means diversifying employment and sectors and involving the diverse talents of as many people as possible so we are fully agile. Focusing so heavily on one sector does not achieve that.</p> <p>We also need to be moving away from the idea of "economic growth" as the measure of success. Our current covid crisis is a clear demonstration of what happens when GDP is the focus to the exclusion of all else. Instead we should be concentrating on increasing well-being and happiness in the town. Prosperity will follow.</p>
<p><b>3.</b></p>	<p><b>Response from Cabinet Member</b></p> <p>Thank you for taking the time to respond to the consultation. You have raised some important points. The declaration of a climate emergency and the target of a 2030 carbon neutral council and borough is central to everything the council is doing. The council has a duty to pursue these goals in a way that also provides good quality homes and jobs for people – including precisely the young people you mention. The Golden Valley development can help provide these homes and jobs in a way that benefits nature and biodiversity as part of a low carbon development. Indeed, the indicative proposals included in the SPD feature a nature reserve and the emphasis on nature and the environment is clear throughout the document. These principles were made clear in the Supplementary Planning Document for the development and our future development partner(s) will have to work within these non-negotiable constraints. The cyber industry certainly touches on and impacts many cultures, though we know that Cheltenham’s richness of culture across other sectors will benefit from the innovation and dynamism brought by the Golden Valley.</p> <p>We agree entirely that GDP cannot be the sole measure of the success of our town and that will never be the only aim for the council. This is demonstrated in no better way than the work we are starting on the climate emergency response, focusing on the environment, and initiatives like No Child Left Behind, focusing on the wellbeing of children.</p> <p>Your comment on the interrelationship of different sectors is entirely correct and one we are already taking forward. The Cheltenham Zero partnership will bring together businesses from varying sectors, as well as community groups from different parts of the town and with different areas of interest. This includes, naturally, the expertise of the university – should it wish to be involved. I have been contacted by a student who has offered to be involved and I am awaiting further contact. Furthermore, the Cheltenham Economic Recovery Task Force has two environmental experts and an environmental expert representing the voluntary and community sector. This makes the environment the most represented topic on the Task Force. There will of course need to be a key thread of environmental custodianship as part of its work.</p>