

Madam Mayor, Members

I have great pleasure in presenting the cabinet's revised general fund budget for 2016/17 and the final budget proposals for 2017/18.

There is an old saying that "life is a marathon, not a sprint". The same applies to council budgets.

For some years now, we have been working to a Medium Term Financial Strategy that sets out our financial situation over a rolling four-year period. In 2015, planning for several years at a time became even more important, when the Government announced that it was going to phase out the revenue support grant over four years and give councils a bigger share of the income from business rates.

Unfortunately this involved us in taking huge cuts in the rate support grant between 2016 and 2018, while the benefits of the new business rates regime would not be felt until at least 2018. For that reason, the council set up a budget strategy reserve to help us support the budget and protect services in the intervening period.

More recently the council suffered another body blow when the Government announced a reduction of around £600,000 in our expected income from New Homes Bonus, making it even more important to plan for several years in the future, rather than being forced to make sudden and perhaps ill-advised cuts in services in the short term.

The budget I am presenting is based on four principles. **Firstly** to protect services as far as possible. **Secondly** to use reserves and one-off savings to cushion the blow of Government cuts. **Thirdly**, to put ourselves in the best possible position to benefit from business growth, maximising our income from business rates. **Fourthly**, to give ourselves time to continue our search for efficiency savings and to identify other reductions in spending that may be necessary in the medium and long term.

Funding Settlement

Since 2009 this council has faced severe cuts to its core funding amounting to some 5.7 million. In order to bring this council some guaranteed stability in funding, the offer of a four year settlement from central government was taken up and the decision to grant it was received in November last year. The four-year settlement, although we very much welcome it, it has been slightly clouded by the decision to now include council tax in that assessment. Therefore, as Cheltenham funds a higher proportion of its net budget requirement from council tax, it is set to receive a higher reduction in government funding. This seems disproportionate in terms of spending locally what is raised locally in order to deliver what our residents want and pay for. Up until now council tax has been used to fund the difference between what we want to spend on local services and the amount it receives from other sources. The disparity across Gloucestershire seems to rather fly in the face of the principle of fairer funding. Cheltenham will receive around £93 per dwelling whereas the average across Gloucestershire is £123, a difference of around £30 per dwelling. If Cheltenham were to receive the average amount for Gloucestershire, this would equate to an additional 1.6 million.

New Homes Bonus

If I could turn to the new homes bonus, this council has prudently always been cautious in its use of the bonus to support the revenue budget. This has left us headroom to cope with fluctuations in our NHB income. However, this does not make the Government's latest changes to the NHB any more palatable. The bitter blow that this Government has just dealt by making the changes, a year ahead of what was originally proposed. means that this council will only be rewarded for building 163 homes of the total 387 it has built this year. In financial terms this means a loss of around £1.6 million of grant income under the previous terms. The additional impact also means it is lost for the next six years with further reductions in the next four years. Added to that was the baseline target being set despite over 80% of local authorities objecting. Not only was it set but at a level of 0.4%. What this means in simple terms for Cheltenham which currently has @ 55 thousand properties, we will not be rewarded for the first 220 homes, as a comparison Tewkesbury have 39 thousand properties and will not be rewarded for the first 150 homes built, therefore even if we deliver the same number of houses, Tewkesbury would be rewarded for an additional 70 houses which equates to around 90 thousand per year. Over four years this would mean an additional 360 thousand. It would seem that successful house building authorities will be penalized. This urban authority has worked extremely hard to deliver new much needed housing within very confined boundaries and does not have the choices that more rural councils have. It is disappointing that, despite writing to the minister to reconsider or at the very least

give some transitional funding, and despite requesting our MP to lobby on Cheltenham's behalf, we were not successful.

Business rates

The redistribution of business rates income, has become an important part of our lives, to the extent that business rates are already our biggest source of government income.

The idea that local councils can share more fully in the proceeds of business rates is very attractive, especially for towns like Cheltenham which are likely to see substantial economic growth over the next few years. But the devolution of business rates income to local authorities has introduced a very large element of risk into council finances that wasn't there before. That is because councils have now become liable for part of the cost to the taxpayer when business rates valuations are reduced on appeal. Not only that, but they are liable for part of the backdated costs of revaluations over several years.

The potential business rates income for 2017/18 indicates that the Council is significantly above the baseline funding target which will result in the Council still being liable to a 'levy'. Taking this into account, it has been agreed that this Council would benefit from remaining in the pool for 2017/18 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements.

One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return, the budget is based on the figures in that return. It is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position is £869,270. However, due to temporary retail closures arising from town centre redevelopments, and the large reductions made by the Valuation Office (VO) in the rateable values of purpose-built doctors' surgeries and health/medical centres, deficit adjustments need to be made from previous years to the value of £444,424.

It is therefore appropriate and necessary to support the 2017/18 budget proposals with a contribution from the BRR reserve which has been built up over the last two financial years to deal with these issues.

The move to local business rates retention is still I believe a positive one albeit we are four years in and the rules are still changing. The latest of these changes is the Government's decision from April the 1st this year to grant local newspapers a discount for two years of **fifteen hundred pounds** this is to help them adapt to technological changes. The Government will fully reimburse this council for its local share of the cost.

The recent business rate revaluation will have an effect on many in particular the smaller SME's, if this Government were to offer the same benefit to them as the Newspapers I am sure this council would want to support it. However the only current offer on the table is for this council to give a rate reduction which would only be supported by a 50% transition fund from Government, this in the light of all the budget pressures and reduction in funding is not I believe sustainable.

I am sure that our local newspaper has welcomed this and it will be reported as a positive story, I do hope that they will also report this budget as a positive one.

Council Tax

Our Parish Councils play an invaluable role which is why this Council has continued to support them when many other local authorities ceased to do so at the point when local council tax support was rolled into the revenue support grant. As our support grant reduces towards the final year in 2020 the ability to continue funding them becomes increasingly difficult. However, in order to give parish councils a degree of financial stability and give them the assurance they need to set their own precepts, I am not proposing to pass on any reductions in 2017/18, although the 5 Parish Councils have been formally notified that reductions to their grant will commence in 2018/19.

I believe we have a serious responsibility to protect services not just in 2017/18 but beyond. There is no doubt that an additional £47,500 of council tax income, will strengthen the council's finances substantially and reduce our dependence on reserves. It will directly benefit Cheltenham residents by reducing the budget gap we have to bridge in future years and thereby protecting services from cuts.

That is why the cabinet are recommending a £5 increase again this year for the average Band D property, particularly in light of the changes to the New Homes Bonus as I have already outlined, which moving forward puts our valuable discretionary services at higher risk.

I am not minimising the significance of any tax increase, but we need to keep this in perspective. The County Council tax increase this year is a 3.99% increase (£45) for a Band D taxpayer. I think our 2.6% increase is a price people will be prepared to pay for their services and their quality of life.

It is very clear that the Government in future financial settlements will assume we have made this increase. Therefore not doing it will affect our funding for years to come. That's why we need to make it clear to Cheltenham residents that this tax increase is not the result of greed on our part, but a direct result of the grant cut.

I am pleased that this Council has again this year made the commitment not to withdraw the support of the Council tax benefit even though the funding for this was lost when in 2014/15 the government stopped separately identifying their contribution and left it to local councils to continue or not, I am pleased to say that this council has continued to support those residents that are on low working incomes or retired on low pensions.

Facing budget pressures is a fact of life for local government. Some are unavoidable as is the case with the pension triennial valuation, also changes made to housing benefit fraud moving to the department for works and pensions and from this April the apprenticeship levy of 0.5% will be introduced it is anticipated that we will be able to use some of this to off-set apprentice training cost.

Roundup

In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's costs. The Cabinet's aim is to hold down council tax as far as possible, while also protecting frontline services, identify savings through reorganization of service delivery or raising additional income.

How have we done that,

This budget has been prepared under a general philosophy of no growth, as such members will see a very short list at appendix 4, Community Pride has for a number of years been financed through under spends at the outturn, I am proposing to include it in the base budget. The rolling capital infrastructure programme for ICT is essential.

A major focus for the longer term is closing the gap as set out in the MTFS document (apdx5) which includes savings targets rather than necessarily worked up projections. It includes the accommodation strategy, sharing management and staff costs, asset rationalisation which includes the depot, future waste initiatives and savings targets for commissioning reviews.

Already approved savings or additional income amounts to £309,500, I am proposing today a further £699,200 of efficiency savings and additional income together with a one of repayment holiday from Delta Place of £400,000 to support the base budget. This is increased rental income that we are using to make voluntary additional repayments on the loan.

Another factor which will strengthen this budget is the car park income which has been achieved in the 16/17 financial year and which appears to be ongoing. £200,000 has been built into the 17/18 budget to help bridge the MTFS.

I am also proposing that we make full use of the New Homes Bonus of £1.750 million to support this revenue budget, I had anticipated that any income in excess of this would have been used for the investment in 2020 Vision or for strengthening the Budget reserve account. However, obviously things have changed since the draft budget, Losing £600 thousand of the New Homes Bonus was not predicted for this year.

A budget support reserve was created in 2015 for the specific purpose of providing more resilience, should short term challenges be faced. Today my proposal is to draw further on this reserve. Although we have been successful with some major redevelopments that in the long term will benefit our Towns economy enormously, there are some short term challenges, such as a reduction in business rates for the next 12 to 18 months and the delay in getting parking income from North Place. Because these are short term challenges the use of £882 thousand of this reserve is preferable to cuts in service or indeed any increase in charges.

Capital programme

The longer term approach to finding growth and efficiencies to close the funding gap is fundamentally through economic growth and investment which is why we have committed £10.2 million to increase our investment property portfolio.

In addition, resources will be geared towards supporting and delivering the growth agenda including major developments in North West and West Cheltenham. This will be critical now that we know the LEP have been successful in their funding bid for the Cyber business park to the tune of £22 million.

Supporting the artistic, heritage and cultural life of the town as economic drivers will remain a core focus. The Town Hall redevelopment scheme and the proposed support to enable significant improvements at the Leisure facility are both work in progress. These and hosting the Tour of Britain cycle race, which is looking hopeful, all helps to show that Cheltenham is a town with a vision, backed up with a new Place Strategy coming to Council in March.

Investing in our services that contribute to our income is imperative. The proposals for the new crematorium is one example. The fee increase proposed in this budget will help us to deliver the capital scheme and result in a facility that is fit for purpose to deliver a first class service to our residents and the businesses that use it.

It is important to ensure that this council looks at fairness and equality in what it provides to its residents and visitors. That is why I am delighted that there is a proposal for new Changing Places convenience facilities to be provided in our town.

I very much welcome the new and improved kerbside recycling that is to be introduced, this followed a significant amount of consultation with our residents who told us what they wanted which we have listened to.

Before I conclude, We are required on an annual basis to reaffirm our support for the Living Wage and for paying the supplements necessary to implement it. I am proposing that we do so now in these budget resolutions.

Finally, Madam Mayor, let me summarise what these proposals achieve.

- A balanced budget, despite a huge cut in Government grant.
- The local economy strengthened.
- Front line services protected
- More efficiency savings.
- More services shared to save money.
- A clear vision for Cheltenham.

Madam Mayor, I have pleasure in proposing the general fund budget for 2016/17.