

Mayor, Members

I have great pleasure in presenting the revised general fund budget for 2017/18 and the final budget proposals for 2018/19.

For some years now, we have been working to a Medium Term Financial Strategy that sets out our financial situation over a rolling five-year period. 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.

I and my predecessor have over the last few years opened this introduction to the proposed budget with a reminder of just how huge the cuts in the revenue support grant year on year have been and the difficulties those continue to pose, I do not propose to do so again, I intend to focus on how we have taken positive steps over recent years in a planned and measured approach to securing a sustainable financial future without Government funding, therefore allowing a much greater degree of spending what is raised locally in order to deliver what our residents want and pay for.

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, maximizing our income from business rates alongside looking at different and diverse ways of generating additional income. 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**

As members will recall this council took up the four year settlement funding offer in order to bring some guaranteed stability of at least a fixed amount for those years albeit decreasing to zero in 2019/20.

The provisional financial settlement, announced on 19th December 2017, suggests that the local share of Business Rates Retention will increase from 50% to 75% and will include the transfer of public health and other grants, and therefore may not require a specific Local Government Finance Bill to enable this.

A technical consultation paper on the funding mechanism for Local Government finance from 2020/21 titled the Fair Funding Review was launched through the provisional settlement with a closing date of 12th March 2018. Officers are working with colleagues within Gloucestershire to ensure a robust response is put forward on behalf of this Council.

## **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 income, more than 65% of this councils government funding comes directly from business rates.

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 not least the new West Cheltenham development.

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.

I am pleased to say that Gloucestershire was successful in its bid to become a pilot area, there was huge competition to be included with a number of other shires close by not being selected, I wonder if our success was due to the fact that we are doing it differently in so much as the split is equal between the county and us together with a commitment to the strategic economic development fund. A note of caution

needs to be remembered, although this is a very positive result for us it is only for a year therefore leaving us with further uncertainty as to governments funding proposals for 20/21 and little time to plan a budget.

In more detail under the pilot 100% of growth is shared locally, with 50% going to the District's and 50% to the County Council. The benefit to Cheltenham is estimated to be circa £633,457. With a transfer to the strategic economic development fund of circa £300.00 which will be used to fund one-off economic growth initiatives specific to Cheltenham, members should note that this is an estimate of the rates collection forecast and the actual business rates collected may be more or less than this. It is therefore prudent to allocate this additional share to the Business Rates Retention earmarked reserve until a point that the monies can be released to fund specific schemes when there is more clarity on the actual business rates collected.

As the pilot does not form part of the settlement funding assessment for Cheltenham and is only for one year, this additional income has not been built into future base budget estimates.

It is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position under the 100% pilot is £1,942,709.

However, temporary retail closures in the town centre for redevelopment, the large reductions made by the Valuation Office (VO) in the rateable values of purpose-built doctors' surgeries and health & medical centres which are backdated several years and other rateable value changes, deficit adjustments need to be made from previous years to the value of £745,710.

(Paul how is this broken down ? (£235,484 in 2016/17 and £510,226 in 2017/18)

It is therefore appropriate and necessary to support the 2018/19 budget proposals with a contribution from the BRR reserve which has been built up over the last two financial years to deal with these such 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, alongside significant levels of risk due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates may be repayable back to the 2010/11 financial year, which reduces the business rates yield in the year in which the refund is made. The Council has made provision for its share of the cost of outstanding appeals in its financial statements. The level of provision has been reviewed as part of the preparation of the business rates estimates for 2018/19.

### **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 and has planned for reductions in its Medium Term Financial Strategy. This has left us headroom to cope with fluctuations in our income.

This year there are no changes in the way that the New Homes Bonus is calculated and the baseline target will remain at 0.4%. This equates to an additional £67,530 NHB in 2018/19.

### **Council Tax**

I believe we have a serious responsibility to protect services not just in 2018/19 but beyond. There is no doubt that an additional £37,153 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.

With increased pressure for the cap on public sector pay to be lifted and the need for inward investment in the Borough through specific events and marketing of the Town, 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.

Therefore, the Cabinet is proposing a 2.99% increase in council tax in 2018/19; an increase of £5.89 for the year for a Band D property.

I am not minimising the significance of any tax increase, but we need to keep this in perspective. The County Council and the Police tax increase this year is far greater than we are proposing. I think our proposed 11 pence a week 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.

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 indentifying 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.

Facing budget pressures is a fact of life for local government. Since the draft budget proposals were published some additional pressures have been identified some are unavoidable such as new legislation on general data protection that requires funding, the national pay awards which will see many of those at UBICO who are on very low pay get increases in excess of 2% investing in people is a positive especially for those who are at the lowest end of the pay bracket of SCPs 6-19.

## **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. This 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, those areas that are in as supported growth are about making sure that we have staffing in place to deliver our aspirations to generate additional income from assets and investment and deliver our major capital schemes such as Leisure @ and Town Hall, delivering events building on the success of the cycling festival to deliver economic and community benefits and visibility linked to our place making vision for Cheltenham, I am proposing that the increase in council tax goes to support helping to add further diversity and events to the calendar , there are no guarantees but I am hoping that this is the last cost associated with the now approved JCS, I am proposing that these growth items are funded by the additional New Homes Bonus, Business Rates and changes in the tax base and collection fund surplus with the proposal to increase Council Tax by an additional 2.99%, which will result in a revised net budget requirement of £14.429m as detailed in Appendix 3.

Firstly a major focus for the longer term is closing the gap as set out in the MTFs document which includes savings targets rather than necessarily worked up projections, it includes the relocation strategy, sharing management and staff costs where possible, commercial asset rationalization which includes the depot. The MTFs indicates broadly how the Council will close the projected funding gap over the period 2018/19 to 2021/22. It is based on the building blocks of place and economic growth; organizational change; and finance and assets. The detailed schedule of target savings is provided in greater detail within Appendix 5.

The cabinet believes that the longer term approach to closing the funding gap is fundamentally through economic growth and investment together with the effective use of our assets to this end cabinet worked with the executive finance officer and introduced last year a commercial strategy which sits alongside the MTFs, in addition resources will be geared towards supporting and delivering major benefits to the Town in North West and West Cheltenham.

I am also proposing that we make full use of the New Homes Bonus of £1.754 million to support this revenue budget,

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 on this reserve, having been successful with some major redevelopments that in the long term will benefit our Towns economy enormously, there are some short term challenges, 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 £913,058 thousand of this reserve I would suggest is preferable to cuts in service or indeed any increase in charges.

## **Capital programme**

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 support to enable significant improvements at the Leisure facility are both work in progress, and an earmarked contribution to public realm works within the town centre, all helps to show that Cheltenham is a town with a vision, backed up with a new Place Strategy.

Investing in our services that contribute to our income is imperative, the proposals for the new crematorium is one example, of a commitment to provide a facility, that is fit for purpose to deliver a first class service to our residents and the businesses that use it.

## **Grants**

Ensuring that this council looks at fairness and equality in what it provides to its residents and visitors must always be considered which is why I am delighted to say that today I am proposing that two of our long standing organizations that contribute so much will benefit from extending the financial contribution to them for a further three years in the sum of £20 thousand per year to the Towns oldest festival The Festival of Performing Arts and The Gustaf Holst museum to the tune of £7,500.00 per annum.

Over the first 3 years of operation the Trust has delivered base budget revenue savings to the Council of £641,800 which cumulatively equates to financial savings in excess of £1.8m over the same period. In addition, the Trust has managed to leverage in additional grants in excess of £900k in addition they have accumulated £200.000 of volunteer support. These savings primarily have come from business rates, employer pension contributions and VAT; it is acknowledged that these savings could not have been realized through the continuation of an in-house provision.

It was anticipated that overall savings of £835,300 could be realized by 2018/19, the difference being £193,500 which were scheduled to be delivered in 2017/18 and 2018/19. Over the last 3 months, representatives from the Trust have met with Officers and the Cabinet to express their difficulty in delivering these latter savings

The Cabinet therefore propose that, in order to give the Trust the best opportunity to succeed, the management fee reductions proposed in 2017/18 and 2018/19 (totaling £150,500 and £43,000 respectively) be deferred until the financial years 2019/20 and 2020/21 as detailed in Appendix 5.

The Cabinet further propose that a contingency provision of £150,000 be held in general balances for the Trust to draw down; this will provide for short-term losses incurred by the Trust as they go through re-organisation and transformation. Furthermore, the Cabinet have requested that the Trust look at their business operations, including those services that are currently protected, to ensure it is fit for purpose and commercially focused.

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, Mayor, let me summarize what these proposals achieve.

A balanced budget, despite a huge cut in Government grant.  
The local economy strengthened.  
Car parks Invested in  
Front line services protected  
More efficiency savings.  
More services shared to save money.

I have heard it said from the otherside of the chamber that this administration has no vision for Cheltenham, to recap in brief if you will allow me to mention a few highlights of the last year.

A successful bid to HIF to bring forward much needed housing on Portland Place  
The introduction of a Commercial Strategy, a new Place making vision, a new cemetery and crematorium on its way, increased kerbside collections, exciting times ahead for West Cheltenham with a cyber centre, the launch of marketing Cheltenham, investing in new and diverse treasury instruments to increase revenue, taking a risk aware approach to investment such as the CCLA new diversification fund and property investment, the launch of a successful Business improvement district working in partnership, the Tour of Britain event saw 40 thousand visitors and an estimated million pound brought into Cheltenham, it is not all about the bigger ticket those small things such contactless donation points to support homelessness, creating a largely free event for our residents at the new festival of cycling, the commitment to two changing place facilities, facilitating the BID to light up Cheltenham. I could go on but I did say a few !

Mayor, I have pleasure in proposing the general fund budget for 2018/19