

Cheltenham Borough Council

Cabinet – 11th February 2020

Council – 17th February 2020

General Fund Revenue and Capital – Revised Budget 2019/20, and Final Budget Proposals 2020/21

Accountable member	Cabinet Member for Finance, Councillor Rowena Hay
Accountable officer	Executive Director Finance and Assets (Section 151 Officer), Paul Jones
Accountable scrutiny committee	Overview and Scrutiny Committee and Budget Scrutiny Working Group
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report summarises the revised budget for 2019/20 and the Cabinet's final budget proposals and pay policy statement for 2020/21.
Recommendations	<p>Cabinet / Council</p> <ol style="list-style-type: none">1. Approve the revised budget for 2019/20.2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £214.08 for the year 2020/21 based on a Band D property (an increase of 2.39% or £5.00 a year for a Band D property), as detailed in paragraphs 4.11 to 4.16.4. Approve the growth proposals, including one off initiatives at Appendix 4.5. Approve a lending (overdraft) facility of up to £100,000 to the Cheltenham BID to facilitate the delivery of an ice rink as detailed in Section 7.6. Authorise the Executive Director Finance and Assets (in consultation with the Borough Solicitor) to take such actions and make such arrangements as are necessary for the implementation of the above lending facility to Cheltenham BID.7. Approve the savings / additional income totalling £826,000 and the budget strategy at Appendix 5.8. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 6.

9. Approve the capital programme at Appendix 7.
10. Approve the programmed maintenance programme at Appendix 8.
11. Note that the Council will remain in the Gloucestershire business rates pool for 2020/21 (paragraphs 4.4 to 4.10).
12. Approve the Pay Policy Statement for 2020/21, including the continued payment of a living wage supplement at Appendix 9.
13. Approve the Medium Term Financial Strategy (MTFS) detailed in Section 5 and Appendix 10.
14. Approve a level of supplementary estimate of £100,000 for 2020/21 as outlined in Section 13.

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Paul Jones, Executive Director Finance and Assets. paul.jones@cheltenham.gov.uk Tel no: 01242 264365</p>
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<p>Legal implications</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 includes budgets for expenditure and income and uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure in accordance with the Medium Term Financial Strategy.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements. The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above specific levels and this has been taken in to account in recommending a 2.39% increase (equivalent to an increase of £5 per annum based on a Band D property) as set out in the report.</p> <p>Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.</p> <p>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. Legal advice will be provided in respect to providing a loan to a BID company when, ordinarily, projects within the BID area are intended to be financed by a levy charged on all business rate payers in that area.</p> <p>Contact officer: Sarah Farooqi Sarah.Farooqi@tewkesbury.gov.uk Tel no: 01684 272012</p>
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HR implications (including learning and organisational development)	<p>Relationships with the two recognised trade unions continue to remain very positive. The Executive Leadership Team and the HR team will continue to work closely with TU colleagues in order to ensure that any potential impacts on employees as a result of realisation of budget savings are kept to a minimum.</p> <p>Contact officer: Julie McCarthy julie.mccarthy@publicagroup.uk Tel no: 01242 264355</p>
Key risks	<p>As outlined in Appendix 1</p>
Corporate and community plan Implications	<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>
Environmental and climate change implications	<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 Executive Director Finance and Assets have been mindful of this statutory duty in how the budget proposals have been prepared. The community and equality impacts of the various budget proposals are as follows:

Budget Proposal (excerpt from appendix 5)	Potential community and equality impacts and any mitigating actions
1. Place and Growth	
Transformation of Regulatory and Environmental Services delivery	Ensuring that the human resource processes that area used to enable any staff restructuring are compliant with equality legislation
Review of fees & charges and income generation opportunities	None identified at this stage; the individual proposals for revising fees and charges will be subject to separate equality impact assessments to ensure that particular groups are not disadvantaged.
Car parking strategy – volume / price analysis	An equality impact assessment was carried out on the car parking strategy as this was included in the papers that went to cabinet on 13 June 2017.
Environmental services efficiencies	Ensuring that the human resource processes that area used to enable any staff restructuring are compliant with equality legislation
2. People and Change	
Modernisation programme	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
3. Finance and Assets	
Investment portfolio income generation	None identified
New Housing supply - mark-up on borrowing / equity	None identified specifically for this budget proposal. The wider equality impacts of the housing investment plan will be kept under review by the project team
LGPS revaluation savings	None identified
4. Use of Reserves	
Use of Budget Strategy (Support) Reserve	None identified

1. Background

- 1.1** In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2020. The consultation took place between the period 18th December 2019 to 20th January 2020 and this report sets out the final proposals for 2020/21.
- 1.2** The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, more than 75% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local

authorities and brings the potential for increased risks or increased rewards.

1.3 The Government delayed the announcement of the provisional local government finance settlement 2020/21 due to the general election which took place on 12th December 2019. As a direct consequence of the above, the assumptions within the interim budget proposals were based on the technical consultation on the local government finance settlement for 2020/21 which was released by the Ministry of Housing, Communities and Local Government (MHCLG) after the Spending Review 2019 (SR19) was published on 4th September 2019.

1.4 As expected, the provisional settlement, published on 20th December 2019, was in line with last October's Technical Consultation. The final local government finance settlement 2020/21 was announced on 6th February 2020 via a written statement, and there were no changes between the provisional and final settlements. The most significant changes and announcements in the settlement were:

- Settlement Funding Assessment, Revenue Support Grant and Baseline Funding Levels are uplifted based on the increase in the small business rate multiplier (1.6%).
- Maximum increase in council tax is 1.99% for the "core" Band D and a further 2% for the Adult Social Care Precept. District councils can increase Band D by the higher of 1.99% or £5.
- Distribution of the new £1bn social care grant is the same as in the Technical Consultation, with only £150m equalised. Other grants remain the same, although Winter Pressures grant is now rolled into the Improved Better Care Fund (and its ring-fence removed).
- This is the final full year of New Homes Bonus (NHB): there is one new additional year added on in 2020/21, but it will not attract any rewards in future years. The government is clear that it wants to replace NHB and it is likely that NHB will have disappeared entirely by 2023/24. A consultation will be held later in the Spring 2020 on a replacement for New Homes Bonus.

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 2020/21 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2020/21. The full assessment is attached at Appendix 2.

3. 2019/20 Budget Monitoring to December 2019

3.1 The budget monitoring report to the end of December 2019, also considered by Cabinet on 11th February 2020, indicates that despite a number of variances to the budget it still anticipates the delivery of services within budget in 2019/20.

4. Settlement Funding Assessment

4.1 The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.

- 4.2 The proposed levels of government funding for this Council are set out in the table below. Overall 'core' central government funding (referred to as the Settlement Funding Assessment) is projected to increase by 1.6% in 2020/21.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Revenue Support Grant	1.273	0.544	0.102	0.000	0.000
Baseline Funding (Cheltenham's target level of retained Business Rates)	2.600	2.653	2.733	2.796	2.841
Settlement Funding Assessment	3.873	3.197	2.835	2.796	2.841
Actual cash (decrease) / increase over previous year	(0.816)	(0.676)	(0.362)	(0.039)	0.045
% cash (decrease) / increase	(17.4%)	(17.5%)	(11.3%)	(1.4%)	1.6%

- 4.3 Since 2013 the Council has had a direct financial interest in economic and business growth in the town, and will have a larger stake in it under the Government's proposals for reforming business rates. However, the business rate baseline reset in 2021/22 will lead to a significant reduction in its share of the financial benefit from growth in business rates in the Borough from 2013.

Business Rates Retention (BRR)

- 4.4 In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements.
- 4.5 Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 4.6 The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.
- 4.7 The anticipated level of business rates due to this Council in 2020/21, taking into account the re-developments at the Brewery, John Lewis and Jessops Avenue, is significantly above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.
- 4.8 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 2020/21 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements.
- 4.9 One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the MHCLG. The NNDR1 return was submitted to the MHCLG by the deadline of 31st January 2020 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and it is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position is £1.878m. However, due to large

reductions made by the Valuation Office (VO) in the rateable values of supermarket ATM's (which are backdated several years) and other rateable value changes, deficit adjustments need to be made from previous years to the value of £576,952.

	2019/20 Original 50% system £	2019/20 Revised 50% system £	2020/21 Original 50% system £
Retained business rates	21,993,793	21,840,398	22,546,722
Tariff payable to government	(18,936,362)	(18,936,362)	(19,244,897)
Grant to compensate for government decisions	1,651,218	1,766,755	1,813,252
Estimated levy payable to government after Pool surplus	(311,468)	(443,370)	(395,374)
Net retained business rates	4,397,181	4,227,421	4,719,703
Less Baseline Funding (target level of net retained rates)	(2,795,889)	(2,795,889)	(2,841,443)
Net surplus on business rates against baseline funding	1,601,292	1,431,532	1,878,260
Deficit adjustment re 2017/18	73,117	73,117	-
Deficit adjustment re 2018/19	(178,287)	(178,287)	(423,557)
Deficit adjustment re 2019/20		153,395	(153,395)
One-off adjustments re previous years' deficits	(105,170)	48,225	(576,952)
Net retained business rates (after one-off deficit adjustments)	4,292,011	4,275,646	4,142,751
Transfer to BRR earmarked reserve	-	(74,059)	
Net retained business rates	4,292,011	4,201,587	4,142,751

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

Council Tax

- 4.11** Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 1.99 per cent for all local authorities in 2020/21. However, shire districts will be allowed increases of up to and including £5, or up to 1.99 per cent, whichever is higher.

- 4.12 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.
- 4.13 The tax base has increased by 1.16% in 2020/21 which has exceeded the target of 0.8%. This increase primarily arises from additional properties completed in the past year.
- 4.14 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.
- 4.15 The uncertainty surrounding the fair funding review, the business rates reset and the future of New Homes Bonus post 2021, places a greater reliance on council tax as our main source of income.
- 4.16 Therefore, the Cabinet is proposing a 2.39% increase in council tax in 2020/21; an increase of £5.00 for the year for a Band D property.

Collection Fund

- 4.17 In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund surplus for 2019/20 is £73,500 which will be credited to the General Fund in 2020/21. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates.

5. The Cabinet's general approach to the 2020/21 budget

- 5.1 In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.
- 5.2 The 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 with the vision “to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22”.
- 5.4 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 key building blocks for the executive team structure of Place and Growth; People and Change; and Finance and Assets, together with a planned and proactive approach to the use of reserves, are the key drivers for delivering the budget strategy as detailed within the Medium Term Financial Strategy (MTFS) at Appendix 10.
- 5.6 The budget strategy looks inwards at service transformation and modernisation, outwards at

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

- 5.7** The MTFS indicates broadly how the Council will close the projected funding gap over the period 2020/21 to 2023/24. In future years, it includes targets rather than necessarily specific worked up projections of cost savings and additional income to allow the Executive leads autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs. Holding adequate information upon which to base the allocation of scarce resources is essential to address under-met needs.
- 5.8** The Cabinet's interim budget proposals for 2020/21, approved at a meeting on 17th December 2019, included an estimate of £1.144m for the 2020/21 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available.
- 5.9** The final assessment of the budget gap for 2020/21, based on the detailed budget preparation and the anticipated local government financial settlement is £1.084m.
- 5.10** Closing a gap of this size is a huge challenge for the Council, but the challenge is being met by a proactive approach to identifying budget efficiencies, carried out by the Cabinet and the Executive Leadership Team. This work has identified efficiency savings and additional income of £0.826m as detailed in Appendix 5.
- 5.11** It is the Cabinet's intention to meet the shortfall in funding in 2020/21 from the budget strategy (support) earmarked reserve in order to deliver a balanced budget.
- 5.12** In preparing the interim budget proposals, the Cabinet and officers have considered the following:
- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
 - Budgeted for pay inflation at 2% for 2020/21.
 - Budgeted for an increase in Members allowances of 2% for 2020/21.
 - Budgeted for superannuation increases in the 'primary rate' in accordance with the triennial review 2019 for the financial year 2020/21.
 - Increased income budgets for the Cemetery and Crematorium, assuming an average increase in fees and charges of 2%.
 - Frozen garden waste charges whilst retaining the prompt payment discount at £3 per bin for households renewing their subscription ahead of their annual renewal date.
 - All other fees and charges, including car parking charges, are subject to annual review by the Place and Growth management team. A target of £50k per annum has been established as part of the budget strategy approved to deliver a balanced budget.
 - Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

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 and be carbon neutral by 2030, requires realignment of resources to deliver the outcomes defined above.
- 6.2 Members will recall that an allocation was agreed by the Council in April 2015 to facilitate the redevelopment to the Town Hall. A separate briefing attached to the Cabinet agenda for its meeting on 17th December 2019, outlines the progress made to date but essentially concludes that all of the options identified are currently outside the financial envelope of affordability available for the Council to progress.
- 6.3 Of the original allocation, £1.6m is still available and the Cabinet is recommending the following reallocation:
- 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);
 - Allocate £50k to fund 2 full-time documentation officers to ensure the collection receives accreditation status, primarily addressing the backlog of documentation inherited by The Wilson in October 2014 and not previously addressed;
 - Allocate £200k in a contingency fund to fund the associated costs of the investment in leisure@ in respect of the splash-pad;
 - Allocate £350k to a climate emergency fund to help facilitate the Council's ambition to become carbon neutral by 2030.
- 6.4 In February 2019, Full Council unanimously called on the Cabinet to declare a Climate Emergency, which was duly announced in July 2019. As part of the motion, Council requested that a report be presented back within six months, with the local actions the Council could take to help address this emergency. A report was presented to Full Council in October 2019 outlining the actions needed and an indicative timetable, as well as recommending the initial resources required for the authority to effectively gear up to delivering the scale of actions required by 2030. There is widespread public support for addressing climate change issues with more than four in five Cheltenham residents agreeing that the Council should play a role in tackling air quality issues (83%), enabling people to walk/cycle more (82%) and enabling public transport use (81%).
- 6.5 The report recommended initial 'seed funding' of £150,000 per year, to fund additional staffing resources in order to create the capacity and capability to develop the business cases for the initiatives outlined in the roadmap and to identify and secure external funding to enable climate emergency projects to progress. The Cabinet therefore proposes to allocate £350k from the original Town Hall allocation to address the resources required. In addition it proposes to allocate £75k from the planned maintenance reserve (originally allocated to the restoration of Pilley Bridge) on the grounds that it needs to prioritise its resources to the delivery of corporate plan priorities.
- 6.6 Whilst telematics technology is now being fitted to our vehicles which Ubico operate to ensure they are being used effectively and efficiently, including reducing fuel consumption, there is a need to ensure that the technology which supports the delivery of services provided by Ubico, particularly domestic and trade waste collections, is in place and can integrate with other business systems as necessary including any Customer Relationship Management (CRM) system CBC may purchase going forward.

- 6.7** The Cabinet therefore proposes to allocate £200k, subject to a business case, for the purchase of an 'In Cab' technology system. It is anticipated that the implementation of this system would offer a number of financial, service related and carbon reduction benefits to the council and its residents.
- 6.8** 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. This would have a direct benefit in reducing the fuel used and associated carbon usage. In addition, it's likely that the council would see missed collections reduce meaning that return journeys to collection areas would not need to be made, which would again contribute in lowering the fuel and carbon usage. This investment would also support wider process improvements for waste collections.
- 6.9** The future provision of public conveniences was presented to Cabinet on 5th November 2019. Within that report, recognition for redeveloping the toilets at Sandford Park was identified, with a recommendation to set aside funding for a new facility within the 2020/21 budget proposals to be considered by Council in February 2020. In order to satisfy that commitment, the budget proposals include a sum of £150,000 in the proposed capital programme for 2020/21.
- 6.10** Given the ambitious agenda that the Council has set, the Leader has expressed his intent to increase the size of his Cabinet to 9 Members (including himself as Leader). This is to provide specific leads to support the growing environmental / climate change agenda and the economic development / growth agenda. These two new portfolios are generating considerable additional workloads and are of growing local and national importance.
- 6.11** In October 2019 the Council endorsed the 'Carbon Neutral Cheltenham – Leadership through Stewardship' report and roadmap. This commitment and roadmap will generate considerable additional workload. The importance of and focus on this agenda continues to grow and it is therefore important that a dedicated portfolio and cabinet lead is created.
- 6.12** In July 2018 the Council made a commitment to support the development of the West Cheltenham strategic allocation for the growth of the cyber industry and deliver housing. In June 2019, Homes England awarded Garden Community status for the 'Cyber Central Garden Community'. In August 2019, the Council announced that it had purchased two strategically important parcels of land covering 112 acres of land. Our corporate plan objective of making Cheltenham the cyber capital of the UK requires considerable resource and focus. This also links closely to the wider growth agenda and the important role Cheltenham has in the delivery of Gloucestershire's Local Industrial Strategy.
- 6.13** Cheltenham's Place Strategy sets out a vision for this to be a place where everyone thrives. Growing the economy and delivery of housing are important objectives. The West Cheltenham (Cyber Central) allocation will play a significant role in delivery of high value jobs and housing. With the recent announcement of Cheltenham (as part of Gloucestershire) being included in the Western Gateway, there is a need to have a greater dedicated focus on growth and economic development and once again, it is therefore important that a dedicated portfolio and cabinet lead is created.
- 6.14** Finally, the Council has recently been advised that funding gifted to the Friends of Imperial Square Heritage and Conservation (FISHAC), has been secured for the restoration of railings to Imperial Gardens. The Council will hold the funds and undertake a tender exercise to appoint a suitably qualified metal work contractor to undertake the work that will include the Holst entrance pillars, and railings along the western Promenade perimeter of the gardens.
- 6.15** The list of proposals for growth, including one off initiatives, is included in Appendix 4.
- 6.16** The investments the Council is making in the borough is underpinned by strong resident satisfaction that show overall 84% of Cheltenham residents are satisfied with their local area as a

place to live. This score is higher than the Local Government Association (LGA) benchmark (80%).

7. Christmas Ice Rink

- 7.1** The Council has long-held ambitions to deliver an ice rink in Cheltenham as part of the run-up to Christmas for the benefit of residents and visitors alike.
- 7.2** The Cheltenham BID has progressed this initiative and plans to hold an event in 2020. However, the structuring of the deal with the proposed operator (whereby costs to the operator are paid in advance of ticket sales) has led to a request from the Cheltenham BID to support cash-flow.
- 7.3** It is therefore proposed that the Council offers the Cheltenham BID an overdraft facility, on terms no less favourable than what is offered to other organisations, up to a £100k. Indicative cash-flow analysis supports the business case that any overdraft facility in respect of this particular event would be fully repaid by the end of January 2021.

8. Treasury Management

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

9. Reserves

- 9.1** 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.
- 9.2** 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.
- 9.3** A projection of the level of reserves to be held at 31st March 2020 and 31st March 2021 respectively is detailed in Appendix 6.

10. Capital Programme

- 10.1** The proposed capital programme for the period 2019/20 to 2022/23 is at Appendix 7.
- 10.2** 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.
- 10.3** In addition the capital programme sets aside an allocation for enhancing our property portfolio with the aims of delivering economic growth and regeneration.

11. Property Maintenance Programmes

- 11.1 The budget proposals include the 2020/21 property maintenance programme, which has been reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £470k to planned maintenance.

12. Pay Policy Statement

- 12.1 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.
- 12.2 The Pay Policy attached at Appendix 9 includes the following key requirements of the Localism Act 2011:
- policy on pay for each of the 'in scope' Officers;
 - policy on the relationship between Chief Officers and other Officers;
 - policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

13. Reasons for recommendations

- 13.1 As outlined in the report.

14. Consultation and feedback

- 14.1 The formal budget consultation on the detailed interim budget proposals took place over the period 18th December 2019 to 20th January 2020. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals.
- 14.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 7th January 2020 and comments have been fed back to the Overview and Scrutiny Committee and the Cabinet.

15. Supplementary Estimates

- 15.1 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 2020/21 to be met from the General Reserve, the same level as in 2019/20.

16. Alternative budget proposals

- 16.1 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.

16.2 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.

17. Final budget proposals and Council approval

17.1 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.

17.2 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.

17.3 An in-principle decision will automatically become effective 5 working days from the date of the Council's decision, unless the Leader informs the Executive Director Finance and Assets in writing within 5 working days that he objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.

17.4 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.

18. Performance management – monitoring and review

18.1 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.

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

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Section 151 Officer budget assessment 3. Summary net budget requirement 4. Growth 5. Savings / additional income 6. Projection of reserves 7. Capital programme 8. Programmed Maintenance programme 9. Pay Policy Statement 10. Medium Term Financial Strategy (MTFS)
Background information	<ol style="list-style-type: none"> 1. Budget strategy and process report 2020/21 (Cabinet 8th October 2019) 2. General Fund Revenue and Capital – Interim Budget Proposals 2020/21 (Cabinet 17th December 2019) 3. Budget Monitoring Report 2019/20 position as at December 2019 (Cabinet 11th February 2020) <p>https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2020-to-2021-written-statement</p> <p>https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2020-to-2021</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	2	10	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 2019/20 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.	Ongoing	ED Finance and Assets		
1.02	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business and	ED Finance and Assets	14/09/12	4	3	12	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by	Ongoing	ED Finance and Assets		

	the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.							the Council. The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot. Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.			
1.03	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	ED Finance and Assets	15/12/10	3	3	9	Reduce	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	ED Finance and Assets	
1.07	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be	ED Finance and Assets	13/12/10	5	3	15	Reduce	Work with Publica and county wide CFO's to monitor changes to local government financing regime including responding	Ongoing	ED Finance and Assets	

	incorrect, then there is likely to be increased volatility around future funding streams.							to government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.			
1.07	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.	ED Finance and Assets	13/12/10	5	3	15	Reduce	Work with Publica and county wide CFO's to monitor changes to local government financing regime including responding 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.	Ongoing	ED Finance and Assets	