

Thank you Mayor,

Members I said two years ago that rather than have cuts, we want growth and that we needed to be brave and bold to achieve this.

I am pleased to present to you today this administration's final Budget proposals.

This administration is portrayed by the opposition as having no vision for our town; I will today dispel that myth.

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 this 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.

In June 2019, the National Municipal Journal achievement awards recognised Cheltenham Borough Council for its efforts in making significant local investments, and long-term financial planning to ensure continuity of frontline services and public realm investment. This approach has helped us manage the impact following the loss of £6.8m funding since 2010, where the Council was successful in winning the 2019 award for Best Commercial Council, and further validated by winning the APSE award for Best Commercial Council and Entrepreneurship Initiative, this did not happen without a vision and a lot of hard work.

Our Corporate plan clearly sets out a vision with 5 key priorities:

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 of 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, as well as leveraging more value from our assets and commissioned providers.

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.

Our current business model for 20/21 for gross expenditure is £23.4 million directly provided, £12.1 million provided by contractors jointly owned by this council, £1 million through shared working and £0.2 million in joint working.

This Council is operating in a challenging and uncertain economic environment. The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major factor for 2020/21. The financial impact of Brexit on the country and on local government is unknown, but potentially significant in terms of legislation, inflation, interest rates and economic growth.

The impact on the UK economy may affect aspirations for the Government's spending program, despite the notion that the Government has stated that austerity is over. Therefore the amount of funding available to local government from 2021/22 is still uncertain.

The MTFs for 2020/21 to 2023/24 recognises the 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. We have therefore taken a risk based approach in reviewing the financial pressures facing the council and how they should be mitigated across the medium term.

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 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 is 2021, the government have committed to putting in place transitional arrangements to 'smooth' the impact, they are 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 tax base.

Business Rate income generated under the Retained Business Rates funding mechanism is an important income stream, but is complex and potentially volatile. It 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 also consulting on how the new scheme post 2021 can continue to reward and incentivise growth, whilst mitigating the risk of appeals.

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 2021/22.

The council’s MHCLG set business rates baseline is £2.841m whilst, as a result of economic growth, £4.217m is now forecast to be generated and support the base budget in 2020/21.

In previous years, local authorities have been funded through a mixed structure of grant for example RSG and locally driven income, Council Tax and Business Rates which provided some mitigation of risk. Moving to a 75% retained system means more risk transfers to local government.

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 20/21: 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.

The major change in NHB is that the new amounts earned in 20/21 will only attract an NHB reward for one year, in 21/22, rewards will only be paid in respect of years 18/19 and 19/20, and in year 2022/23 only for year 2019/20. It is worth mentioning that despite delivering over the last 12 months an additional 423 new homes for occupation, with the base line set at 0.4% we only receive NHB for 215 which seems rather unfair. The financial impact on CBC is that we will receive circa £29k.

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 also assume growth in the tax base of 0.80% per annum, 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 for example refuse & recycling collections, we will need to consider what levels of growth are likely and financially sustainable.

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 control, subject to any legislative, economic or political constraints.

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.

The last recognised recession was in 2008; it is likely that the country is closer than ever to the next economic dip. 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.

This 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.

However, recognising the change in the council’s short to medium term finances 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 2020/21.

As part of the 2016/17 budget setting, the Budget Strategy Support Reserve was established to provide greater resilience and time for the council to embed its savings strategy and allow for slippage in savings delivery.

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.

The Business Rates retention reserve (BRRR) should aim to be maintained to a target of £500k to allow for the potential reduction in income arising from the risks. There is currently £150k in general balances specifically to cover fluctuations arising from pooling arrangements together with £387k projected to be held in the BRRR at 31st March 2021.

General Balances are held to protect existing service levels from reductions in income levels as a result of economic downturn and other unforeseen circumstances, over a number of years, this council has earmarked significant funds for specific reserves and as part of the budget setting process we must consider the establishment and maintenance of them.

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

One of the strengths of the Cheltenham economy is its diversity. With the exception of GCHQ, we are not overly dependent on one or two major employers or on the performance of a specific industrial or service sector. It is possible to influence how Cheltenham is shaped, by supporting and encouraging existing and new businesses, marketing the town’s rich cultural and dynamic offer and promote inward investment and building a strong and cohesive community. 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.

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.

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 in December outlined the progress made to date but essentially concluded that all of the options identified are currently outside the financial envelope of affordability available for the Council to progress.

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,

Allocate £200k in a contingency fund to fund the associated costs of the investment in leisure@ in respect of the splash-pad;

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%).

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. I am proposing that Council allocates £350k from the original Town Hall allocation to address the resources required. In addition I am proposing 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.

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.

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.

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.

The future provision of public conveniences was presented to Cabinet on 5th November 2019. Within that report, recognition for redeveloping the provision 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 £143,500 in the proposed capital program for 2020/21

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.

The list of proposals for growth, including one off initiatives, can be seen at Appendix 4.

I would like to reassure members that the proposed investments that are put before you at Council today are 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%).

Many members of this Council have 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.

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.

I am therefore proposing that the Council offers the Cheltenham BID an overdraft facility, on terms no less favourable than what is offered to other organisations, up to £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.

If Council is with me on the proposed budget then we will be able to continue delivering our vision and ambition for Cheltenham.

I am going to take this opportunity to highlight some of the initiatives we have already taken to help deliver what I have said.

In August 2019, we completed the purchase of 112 acres of strategically important land which forms part of the West Cheltenham, it will enable the delivery of the Cyber Central vision in June 2019 the government announced that Cyber Central had been awarded 'Garden Communities' status. the £37.5m investment into this site will enable the rapid growth of Cyber Tech and 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 £100m investment in Housing across the Borough will play a leading role in shaping the residential aspect.

Strengthening the town's cultural offer, and in particular a focus on the town centre. Working in collaboration with other partner organisations such as the BID, investment programs for the high street have seen increased footfall, increases in cycle visits, car parking numbers and bus usage rise

With new stores and business opening in Cheltenham, The cabinet have also committed to the reallocation of £400,000 to continue improvements.

Proposals for the Council to take a leading role in the Minster Project will bring about an innovative box park concept, forming a hub for small start-up business in the creative and tech sector. The project will use under-utilised car parking space in partnership with Creative England, Cheltenham Festivals, the Gfirst LEP and Workshop Cheltenham. It will create new jobs, regenerate the surrounding area, bring in rental and business rates, but more importantly act as a growth magnet, encouraging investment and footfall on the fringes of the town centre.

The acquisition of 4 new commercial investment properties has already resulted in us over-achieving our new revenue income target, and the new additional industrial units at the Enterprise centre both, helping to secure increased income generation on our journey to self sustainability.

Other initiatives such as the Cheltenham Lottery supporting our local good causes with much needed funds, the amazing No Child Left Behind that is playing our part to support a child friendly Gloucestershire and the Folk2Folk lending investment to support local small to medium business expansion.

All in All Mayor I know that we will deliver on our vision, because we are a well-run council. We have adapted to the austerity inflicted upon us. You don't have to take my word for it, just listen to the Municipal Journal, which awarded us the best commercial council. Just listen to APSE which gave us the award of best commercial **and** Entrepreneurial Innovative Council, I believe this budget shows vision and ambition under the Liberal Democrat administration, for all who live here work here or visit our Town for recreation.

After debate Summing up.

One area that I did not address in my speech was People and Change the contribution that this will make should not be underestimated, Modernisation will bring cash savings, as set out in the MTFS, but also deliver non-cash savings, which will allow resources to be freed up to support existing, emerging and future corporate priorities. Investment in our staff and their environment should never be undervalued, their contribution is what gives our council, a track record of strong financial management and on the ground delivery to our residents, my thanks to each and everyone of you.

