Cheltenham Borough Council

Cabinet – 10th November 2020

Council – 16th November 2020

Covid-19 recovery revised budget 2020/21

Accountable member	**Councillor Rowena Hay, Cabinet Member for Finance**
Accountable officer	**Paul Jones, Executive Director Finance and Assets (Section 151 Officer)**
Accountable scrutiny committee	**All**
Ward(s) affected	**All**
Key Decision	**No**
Executive summary	The impact of Covid-19 on the finances of local authorities, coupled with a decade of austerity and budget cuts, is unprecedented. News from councils across the country tell of local authorities struggling to balance the books and warning of the possibility of issuing section 114 notices without further financial support from Central Government. The situation is being closely monitored by the Ministry of Housing, Communities and Local Government (MHCLG) with councils submitting monthly reports in respect of their income losses and additional expenditure. Cheltenham Borough Council has incurred significant additional expenditure as a result of the pandemic, which is estimated to exceed the £1,535,602 grant funding that has been received in 2020/21 to date. Of more concern, Covid-19 has affected Cheltenham's ability to generate revenues in several service areas as a result of lockdown, government restrictions and social distancing measures to respond to the pandemic. The scale of income losses and additional expenditure incurred because of Covid-19 and the lockdown requires the Council to take in-year action. For Cheltenham Borough Council, the estimated additional expenditure and income losses, net of Government support, are estimated to be £1.831m which represents 12.45% of the Council's net budget. By law, the council has to ensure our books balance at the end of the financial year. This report therefore seeks to set a revised Covid-19 recovery budget for 2020/21 to address the additional expenditure and loss of income experienced because of the Covid-19 pandemic. The impact on council tax, business rates and the implications for the economy, particularly the key income streams for the council such as car parking, are matters that will challenge the medium term financial strategy. It is worth noting that beyond this immediate year we face the requirement to make further savings of £2.616m. The council's ambition to make Cheltenham the cyber capital of the UK is critical to ensuring that the council achieves financial sustainability. The recommendations within this report aim to ensure a balanced budget is delivered in 2020/21, that sufficient revenue resources are released to ensure a robust and balanced budget can be delivered in future years and that appropriate resources continue to be directed towards our key priorities.

Recommendations	**I therefore recommend that Cabinet approve the following recommendations to Council:** **1. Note the estimated position in respect of collection rates for council tax and business rates for 2020/21 (paras 3.37 to 3.44).** **2. Approve the revised Minimum Revenue Provision (MRP) policy as detailed in Appendix 2 (paras 4.12 to 4.16).** **3. Approve the revised capital programme with £1.7m capital receipts previously allocated to the High Street works to be reallocated to repaying the MRP as detailed in paras 4.19 to 4.20.** **4. Note the identified asset disposals as detailed in paras 4.22 to 4.29.** **5. Approve the virements as summarised in Appendix 3, in order to produce a balanced General Fund (GF) revised budget for 2020/21.** **6. Note that future budget monitoring reports will assess the position against this revised budget and further decisions may be required depending on the economic impact being experienced as the year progresses.** **7. Approve the additional budget and funding for Cyber Central (Golden Valley development) as set out in section 5.** **8. Approve the flexible use of capital receipts strategy as detailed in Appendix 4 (paras 5.21 to 5.26).** **9. Approves the budget-setting timetable at Appendix 5 and note the 2021/22 budget process outlined in section 6.** **10. Notes the intention for this Council to remain in the Gloucestershire Business Rates Pool in 2021/22 as outlined in section 7 and note that the Council reserves the right to withdraw after the local government finance settlement announcement.** **11. Approve the Housing Revenue Account (HRA) revised budget for 2020/21 as summarised in Section 8.**
Financial implications	As detailed throughout this report. **Contact officer: Paul Jones, paul.jones@cheltenham.gov.uk, 01242 264365**

Legal implications	There is a legal requirement under the Local Government Finance Act 1992, sections 31A and 42A to set a balanced budget. The budget proposals include budgets for expenditure and income and 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. Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action, as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, to increase income, or to finance the shortfall from reserves. Under Section 114 of the Local Government Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the Chief Finance Officer has a duty to make a report to the Council. 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. **Contact officer: One Legal – legal.services@tewkesbury.gov.uk, 01684 272012**
HR implications (including learning and organisational development)	Employee capacity must be kept under review to ensure that any additional work is adequately resourced. If budget pressures mean monies for additional resource is not permissible a review of current projects and service delivery options will need to take place. **Contact officer: Julie McCarthy, julie.mccarthy@publicagroup.uk, 01242 264355**
Property implications	As detailed in the report **Contact officer: Dominic Stead, dominic.stead@cheltenham.gov.uk, 01242**
Key risks	As outlined in Appendix 1.
Corporate and community plan Implications	Key elements of the budget are aimed at delivering the corporate objectives in the Corporate Business Plan.
Environmental and climate change implications	The Cabinet has recommended to Council that the ambition to be carbon neutral by 2030 be adopted and that when the financial position is clearer the Executive Leadership Team bring back a report to address how the council could progress those actions identified for the attention of the Borough Council. Currently this Covid-19 recovery revised budget has focused on reducing the shortfall. The implications for addressing the carbon neutral agenda and other growth items will be considered in the coming months when we will have a clear picture on income and the recovery phase.

1. Background

1.1 On 17th February 2020, Council approved the budget for 2020/21, including setting the Council Tax. The 2020/21 approved budget identified efficiency savings and additional income of £0.826m. In recognition of the savings already made by local government in response to austerity, the 2016 local government settlement (2016) allowed authorities to spend locally what is raised locally. Most noticeably, there was a shift away from freezing council tax to using council tax to generate additional funding. Reserves were also noted as providing a further element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements. In line with those principles, the shortfall in funding in 2020/21 of £0.258m was met from the budget strategy (support) earmarked reserve in order to deliver a balanced budget.

1.2 The 2020/21 budget includes budgeted savings through growth in respect of the delivery of both affordable and private rented sector housing and new build of industrial commercial units, commercial income generation, targeted fees and charges generation to meet demand and modernisation savings, all of which are now unlikely to be achieved in full this year due to a pandemic-induced expected down-turn in the economy and reduction in interest rates.

1.3 The national restrictions imposed to protect the public from Covid-19 have had a material impact on the Council's financial position, particularly in respect of the General Fund (GF). Not only has the Council incurred additional unbudgeted expenditure as a result of its response to the restrictions and the additional responsibilities taken on, but also the lockdown has resulted in significant losses of income.

1.4 Projections to date of the financial impact on the Council show that the Council will be unable to simply use its General Fund Balances and earmarked reserves to offset the additional expenditure and losses, without impacting on its ability to set a balanced budget in future years. As a result, it is imperative that Council needs to take action now to protect the overall financial position of the Council. Projections are based on a number of assumptions, which are subject to change as we move through future waves of the pandemic. The purpose of this report is to deliver a balanced budget while accepting that this position may change for better or worse over the course of the year.

1.5 The impact of Covid-19 on Local Authorities across the Country is difficult to gauge due to different demographics, resources, demands. There has been significant lobbying on behalf of councils from the Local Government Association (LGA), the Districts Council Network (DCN), Society of District and Council Treasurers (SDCT), the County Councils Network (CCN) and the Unitary Councils Network (UCN), to ensure adequate funding is given to Councils to cover their losses, which were estimated at in excess of £10Billion across the sector by the LGA.

1.6 The situation remains fluid and as such proposals made to address the shortfall will be subject to change if the financial position of the Council improves with elements of the reductions being proposed given the option of being reinstated or reserves strengthened. This report sets out the additional expenditure incurred, the projections of income lost, broken down between irrecoverable and potentially recoverable, and proposals to balance the budget. A separate section sets out the position in respect of the HRA.

2. Context

2.1 Unique challenges require a unique response. Covid-19 has tested Cheltenham's communities, economy and way of life in a way that has not been seen since the Second World War. Our Borough has lost loved ones, business has been disrupted and we have all had to re-learn a new existence that tries to retain our human connections while being apart. We have been humbled by the dedicated and caring values shown by all to support and shield those who need help and we are proud to witness the strength and resilience of our town in the face of this challenge. Overcoming Covid-19 involves more than finding a medical cure, we must also focus on how we can rebuild our economy and communities to be stronger than before. In Cheltenham, we remain just as committed to making our Borough the Cyber Capital of the UK and helping our town, county and region thrive. Nevertheless, the challenge of this global pandemic requires a response that is more innovative and ambitious than we might have thought previously possible.

2.2 Local Government needs to work alongside Central Government to avert the need for a further 10 years of austerity and create a bold vision to rebuild after Covid-19. In Cheltenham, we firmly believe we have the people, skills and local solutions to deliver a recovery that will not just repair the damage but it will offer the opportunity for renewal, improvement and strong, sustainable communities. Locally driven investment in projects, spaces and places will allow us to deliver tailored responses to our challenges and opportunities and allow us to play our part in a collective national effort to rebuild. It is therefore essential that the Council is financially sustainable and in a position to lead that recovery.

2.3 In the last 10 years, the Council's core funding from the Government has been cut by £6.8 million, whilst at the same time experiencing significant cost pressures and increasing demand. For the majority of that period there was a mandate from Government to restrict council tax increases, placing further pressure on the Council's ability to sustainably provide services through more innovative and commercial ventures that cross subsidise services.

2.4 The Council has an excellent track record in delivering pioneering solutions to the budget pressures faced. Over the same 10 year period, the Council has delivered savings and additional income in excess of £9.6m broken down as £2.916m from staff reorganisation and service reviews; £3.378m through the creation of innovative shared services with other local authorities and the creation of alternative delivery models such as Ubico and the Cheltenham Trust; and £3.669m from additional income generation and effective asset management.

2.5 Cheltenham Borough Council has taken the principles of the last local government settlement (2016) in good faith and delivered a commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.

2.6 The commercial strategy was adopted by Full Council in February 2018 which set a clear vision for Cheltenham "to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We have generated significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22".

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

2.8 The proposals within this revised budget aim to utilise our assets, skills and infrastructure to shape and improve public services and enable inclusive and environmentally sustainable economic growth in the Borough whilst providing a mechanism to ensure the Council has the revenue resources to lead the recovery.

2.9 The assets identified by the Cabinet for disposal will provide much needed revenue to ensure the Council is financially resilient this year and future years. These assets are deemed surplus to our operational requirements and currently are low yielding in terms of delivering a return to its residents. They are, however, strategically placed to drive economic activity and the creation of jobs to deliver much needed housing and commercial opportunities for the wider benefit of the whole town and its communities.

3. General Fund Revenue 2020/21

3.1 The Council has been required to submit monthly returns to Government via their Delta system in order to capture additional expenditure incurred, lost income from sales fees and charges, lost income from commercial activities (e.g. commercial property investments and other investments) and the potential losses from the collection fund (i.e. council tax and business rates losses).

3.2 Significant additional expenditure has been incurred because of the pandemic, which is estimated to exceed the £1,535,602 grant funding that has been received in 2020/21. Of more concern, Covid-19 has impacted Cheltenham's ability to generate revenues in several service areas as a result of lockdown, government restrictions and social distancing measures, related to the pandemic

3.3 The following section provides the most up to date projection for these losses.

Additional Expenditure – General Fund

3.4 The table below sets out the additional expenditure incurred to the end of September 2020, and projected for the full financial year.

	Actual incurred to September 2020 £m	**Projected full year costs 2020/21 £m**
Public Health - Testing, contact tracing and outbreak planning	0.000	0.034
Housing General Fund – homelessness and rough sleeping	0.143	0.294
Leisure	0.133	0.483
Cultural related	0.000	0.000
Cremation, cemetery and mortuary services	0.118	0.170
Waste Management	0.206	0.353
Finance & corporate - ICT & remote working	0.101	0.137
Shielding / wellbeing hub and food hub	0.185	0.235
PPE	0.045	0.063
Unachieved savings/delayed projects	0.138	0.250
Other	0.008	0.030
Sub-total	**1.077**	**2.049**
Less Government grant received (tranches 2 – 4)	(1.332)	(1.536)
Less Housing Benefit recovered	(0.088)	(0.180)
Total cost to the Council	**(0.343)**	**0.333**

3.5 The gross additional costs incurred as a result of the pandemic are £1.077m for the period to September 2020, with an estimated total spend of £2.049m for the financial year. The majority of this expenditure was anticipated to be one off, although the estimated costs assume continued expenditure throughout the winter because of the further restrictions announced on 31st October 2020 due to a continuation of increased infections of the virus.

3.6 Housing General Fund – the major area of additional expenditure relates to the Government's requirement to remove all rough sleepers from the streets from the end of March. The social distancing rules effectively put many without a permanent home and who may have been staying with friends and/or relations onto the streets who had to be accommodated. The additional costs associated with this are two-fold – they needed to be accommodated in hotel provision and provided with meals throughout the day – a huge partnership effort between ourselves, the County Council, The Cheltenham Trust and the voluntary sector. The cost to date of this has been £143k against which the Government will provide Housing benefit specific grant estimated at £88k. The projected costs allow for the scheme to run until the end of March 2021. Any further extension of the scheme will cost the Council around £22k a month. The future cost of this service will depend on how long it takes the economy to fully recover. However, at the time of writing, the number of positive Covid-19 cases nationally and in Gloucestershire continues to rise. Therefore, the likelihood is increasing that there will be a further demand on hotel provision and further significant costs incurred in the coming months.

3.7 Leisure services – Leisure is one of the hardest hit sectors of industry under the lockdown restrictions, gyms were among the last facilities to open and they remain on a list of those activities that are considered a higher risk of causing Covid-transmission. Even when open, leisure facilities are being forced to operate well below normal capacities to be Covid-secure. It is still not certain when leisure@ and the Prince of Wales Stadium will be permitted to open with full capacity, but it is unlikely to be before the next financial year at the earliest. Government are only compensating losses in respect of leisure where the Council directly provides the service, which goes against the principle of creating alternative delivery models to ensure the provision of services is delivered in the most cost efficient way. Leisure is one of the largest cost pressures facing Local Authorities as a result of the Covid-19 restrictions. Regardless of the model being used to deliver leisure services across the public sector, lobbying continues to ensure all providers and councils are compensated fairly. There is projected unbudgeted expenditure of £483k for the year, which includes some allowance for the 4-week lock-down that commences on 5th November 2020.

3.8 On 22nd October 2020, the Minister for MHCLG announced a new £100m fund to "support council leisure centres most in need". Authorities will need to apply for the funding on a bid-based approach. Our early interpretation of the press notice is that the compensation scheme is intended for authorities where leisure is provided through third parties (such as The Cheltenham Trust) and, as a result, has not been able to access the Sales, Fees and Charges (SFC) compensation scheme. Officers will monitor developments closely and work with the Cheltenham Trust to submit a bid when more details about the scheme are available.

3.9 Cultural services – cultural services are again one of the hardest hit sectors of industry under the lockdown restrictions. It is still not certain when all sites will be permitted to open with full capacity, but it is unlikely to be before the next financial year at the earliest. The Cheltenham Trust, have cut costs significantly, using the Government's furlough scheme, but are still incurring costs without any income. However, it is pleasing to report that the Cheltenham Trust was recently awarded £852,161 from the Arts Council, in respect of the Government's Culture Recovery Fund, which will offset its losses in this financial year. Cheltenham Festivals and the Everyman Theatre were awarded similar sums from this fund which is great news for the cultural sector in Cheltenham. Whilst the Playhouse Theatre was unsuccessful in its bid, it is pleasing to acknowledge that the public has fully backed its fundraising campaign with in excess of £16k being raised at the time of writing this report.

3.10 Bereavement services – There is additional expenditure totalling £118k for the period to 30th September, as a result of backfilling cremation and grave digging services and additional administration, operational changes requirements, arising as a result of updated guidance and staff shortages during lockdown. There is a risk that further costs may arise again in the second half of the year in response to further pandemic measures.

3.11 Ubico – The expenditure includes £241k additional costs incurred by Ubico Limited for the period to 30th September, in order to continue providing essential waste and environmental services during lockdown and the safe reopening of the Household Recycling Centre. The closure of hospitality and the necessity to stay at home resulted in significant increases in waste being presented – costing more to collect and process, at a time when more temporary staff were needed to cover those off sick or self-isolating. These costs are expected to continue during the second half of the year, and include the backfilling costs of household collection, PPE and other health and safety materials.

3.12 Corporate & Remote working – There is additional expenditure totalling £101k for the period to 30th September, as a result of arrangements put in place for health and safety and for remote working for staff and members. This has enabled the council to continue with “business as usual” during the pandemic, whilst ensuring that the government recommendation to work from home where possible during lockdown’s is fulfilled in a safe manner.

3.13 Food Hub costs – The council provided a food hub to support the local community, facilitated by Cheltenham Trust, during the first lockdown, with total additional expenditure incurred to 31st July 2020 being £125k. This was made up of food preparation and delivery of meals and shopping to vulnerable people in the community. It is anticipated that further costs may be incurred in this area as a result of moving into a second lockdown on 5th November 2020.

3.14 Community Hub costs – The Council was responsible for providing a wide variety of complementary support services to vulnerable and shielded members of the Community to maintain their wellbeing and support them with day-to-day tasks that they could no longer complete. Additionally, the Council provided Community initiative grants to Community groups in conjunction with financial support.

3.15 Covid-19 has caused a severe delay and impact on the Council’s modernisation programme and a number of significant parts of the programme will be delayed and reviewed including a full organisational review, process re-engineering and many other identified efficiency improvements. This is likely to impact savings targets for both 2020/21 and 2021/22 totalling £350,000. There will also be various re-start costs but these are still to be quantified.

3.16 In addition to the financial pressure from the pandemic, Members will recall that the 2020/21 budget allowed for a pay award increase of 2%. In August 2020, the Unions accepted an offer of 2.75%; the additional financial impact of which is circa £66,000. This risk was captured in the Section 151 Officers assessment of General Balances and a contingency budget was held within that assessment. Given the multiple pressures arising from Covid-19 on the use of contingency budgets, the Section 151 Officer has reviewed other in year budget savings to accommodate this increase.

3.17 As part of the 2020 triennial revaluation, the Section 151 Officer negotiated a discount on the pension back-funding payment by making a 3-year payment up-front. This has resulted in a further saving of £55,000 to that forecast in the 2020/21 budget proposals and it is proposed that this is used to offset the pay award increase identified above.

Income Losses – General Fund

3.18 We now have greater clarity on the income compensation scheme and we submitted our first application on 25th September 2020 for £1.136m which includes the full 5% deductible.

3.19 As Council will be aware, Covid-19 has impacted local authorities’ ability to generate revenues in several service areas as a result of lockdown, government restrictions and a range of measures to respond to the pandemic. This new, one-off income loss scheme will partly compensate for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services, in the financial year 2020/21 only.

3.20 The scheme involves a 5% deductible rate, whereby authorities will absorb losses up to 5% of their planned 2020/21 sales, fees and charges income, with government compensating them for 75p in every pound of relevant loss thereafter. By introducing a 5% deductible government is accounting for what they deem to be an acceptable level of volatility, whilst shielding authorities from the worst losses. Income lost from commercial income such as commercial property and investment income is not covered by the scheme.

3.21 Having worked through the calculation, it is now apparent that we will be compensated for only 63% of our losses from sales, fees and charges. Our estimated total loss in income this year is £3.714m and we estimate that we will receive £2.216m from the compensation scheme. That therefore leaves us with a gap of circa £1.498m to fund ourselves.

3.22 It is worth noting that one of the fundamental principles of the scheme is "unavoidable loss" which means that factors outside of the authority's control caused the loss to be incurred. Voluntary decisions, which were made locally, and which were not aligned to relevant government guidance at the time, are not covered by the scheme (e.g. closure of services by choice rather than because of government guidance or changing the hours of charging such as car parking). Authorities should use their judgement to determine whether a voluntary decision was made with the intention of supporting relevant government guidance, or whether it represented a departure from guidance in place at the relevant time. These judgements will be in scope of the assurance processes referred to in the guidance.

3.23 The following table shows the actual and projected irrecoverable losses for the period 1st April to 30th September 2020 and the whole year 2020/21.

	Irrecoverable losses to September 2020 £m	**Projected Irrecoverable losses for the year 2020/21 £m**
Sales, fees and charges (SFC)		
Off-street car parking	1.469	2.115
Sponsorship and advertising income	0.145	0.207
Recreation and sport	0.145	0.271
Cremation, cemetery and mortuary services	0.233	0.233
Building control	0.069	0.069
Trade waste	0.108	0.108
Recycling	0.100	0.169
Green Waste -Surplus	(0.035)	(0.040)
Regulatory services	0.090	0.130
Central services to the public	0.144	0.207
Other	0.023	0.027
Sub-total	**2.491**	**3.496**
Less estimated Government compensation	(1.108)	(2.216)
Total cost to the Council from lost SFC	**1.383**	**1.280**
Commercial Income		
Commercial property rental	0.025	0.050
Investment income	0.083	0.168
Sub-total	**0.109**	**0.218**
Total Income losses to be incurred by the Council	**1.491**	**1.498**

3.24 Off-street car parking – There is a loss in car parking income of £1.469m for April to September 2020 (66% of profiled budget) and a forecast loss of £2.115m for the year, all of which will be irrecoverable. This income stream is expected to recover slowly throughout the year, which is already being evidenced from a loss of 97% in the months of April and May, 85% in June, 54% in July, 39% in August and 29% in September. Based on the current recovery profile we are estimating that by March 2021, losses will recover to 20% although need to acknowledge that the further restrictions announced on 31st October 2020 could impact the recovery of this income stream.

3.25 The main reason for this variance appears to be in respect of office-based workers, which is clearly evidenced in a number of our car parks. Whilst we are seeing some recovery, the latest announcements are likely to put that recovery on hold, with the government currently encouraging workers to continue working from home where they can. These assumptions will be reviewed closely throughout the year.

3.26 With the on-going threat of further lock-down measures, it is highly unlikely that car parking income will recover to pre-Covid levels for some time, if at all, which potentially leaves a structural deficit in our base budget. There is a risk that this income will never recover to past levels, as consumer and working behaviours may change permanently, as more people continue to work and shop from home in the future. Assuming that the estimated income level of 80% of budget continues going forward, there will be a loss of circa £900k in 2021/22 and beyond, creating a shortfall in the medium term financial strategy which will need to be met from new income streams or reduced spending.

3.27 Sponsorship and advertising – There is a loss of income in Marketing Cheltenham and Highway roundabout sponsorship income for the six months to 30th September of £145k, representing 92% of profiled budget. The projected loss for the year of £207k assumes this income stream will not recover in the current financial year, and will be irrecoverable.

3.28 Sports and Recreation – There is a loss in sports and recreation income for the six months to 30th September 2020 of £145k as a result of closed facilities during lockdown. The projected forecast loss of £271k for the year assumes this income stream will not fully recover in 2020/21 and will be impacted by further restrictions over the winter period. This lost income will not be recoverable.

3.29 Bereavement Services – There is a loss in bereavement services income of £233k for the six months to 30 September, (5% of profiled budget), mainly as a result of the restrictions on numbers at funerals and type of services held. The projected forecast income for the year assumes normal income levels being achieved from October onwards. This lost income will not be recoverable.

3.30 Building control – There is a loss in building control income of £69k to 30th September 2020 representing a loss of 24% against budgeted income for the period. This may improve as the economy recovers, and may be recoverable through applications postponed until next financial year.

3.31 Trade Waste – There is a loss in trade waste income of £108k to 30th September 2020 representing a loss of 30% against budgeted income for the period. The projected forecast income for the year assumes normal income levels being achieved from October onwards. The loss of income will not be recoverable.

3.32 Recycling income – There is a shortfall in recycling income of £100k for the six months to 30th September 2020. The projected loss of £169k for the year assumes that recycling credits are not impacted by the emergency, but that there is a reduction in the bulking facility sales of 25% to September 2020, returning to normal income levels for the remainder of the year.

3.33 Licenses – There is a loss of licensing income to 30th September of £86k, included within the £90k other regulatory services in the table above. This represents 39% of profiled budget for the period and an expected loss of £70.8k for the year. The projected forecast income for the year assumes normal income levels being achieved from October onwards. This loss will not be recoverable, due to fixed renewal periods. There is a possibility that income levels will not return to normal in future years, if some businesses cease trading as a result of a prolonged lockdown.

3.34 Central services to the Public – There is a loss of land charges income of £51.8k to 30th September 2020, representing 46% of profiled budgets. The projected forecast income for the year assumes normal income levels being achieved from October onwards. This may improve as the economy recovers, and may be recoverable through enquiries postponed until next financial year.

3.35 Central services to the Public – There is a loss of £92k in Council Tax and NNDR court costs to 30th September 2020, representing 100% of profiled budget. There is a projected loss of £155k for the year that may not be fully recoverable.

3.36 Investment income – There is an estimated net reduction in investment interest of £167.5k that will not be recovered. This is a result of the reduction in interest rates, which may not recover for some time. This budget may therefore be impacted in 2021/22.

Collection Fund losses (Council Tax and Business Rates)

Council Tax

3.37 All recovery action was suspended during the lockdown period. The Revenues & Benefits team were dealing with many requests from customers to change their instalment plans to extend or defer payment until later in the year. Reminder notices started to be issued again in July 2020. At the end of June collection was 1.4% below where it was at the same time last year but by the end of August this reduced to 0.7% which is a positive trend.

3.38 The losses from council tax in 2020/21 are projected to be in the region of £1.1m. These are broken down as £0.46m from the increase in local council tax support recipients (net of hardship fund relief), £0.44m in payment failure and £0.2m through lost tax base (e.g. delay in new properties being completed & properties reassigned from council tax to business rates such as Airbnb).

3.39 Some of the increase in local council tax support is being offset in this financial year through the one-off 'Hardship fund" grant received from Central Government. This still leaves £0.46m more council tax support being paid to recipients than was budgeted for and this is likely to increase. The additional council tax support and tax base growth being less than expected will leave a potential deficit on the collection fund of circa £0.25m in this financial year. This compares to a surplus of over £0.5m in 2019/20. The proportionate split of any surplus or deficit between Cheltenham Borough Council and its major preceptors is as follows:

- Gloucestershire County Council 74%
- The Police and Crime Commissioner for Gloucestershire 14%
- Cheltenham Borough Council 12%

3.40 If the shortfall due to payment failure were not collected, Cheltenham Borough Council's share would equate to circa £53k although it must be stressed that income not being collected does not necessarily mean it will be written off, as the Council will be able to pursue the debt for many years. Of more concern moving forward is the actual taxbase itself. The projections in the Medium Term Financial Strategy (MTFS) assumed growth in the taxbase of 0.8% per annum which equates to natural growth in council tax (excluding any tax rises) of circa £75,000 per annum. It is highly unlikely that there will be any growth in the taxbase in 2021/22 for reasons outlined above.

Business Rates

3.41 As with council tax, all recovery action was suspended during the lockdown period. Over 1,000 businesses that would have been paying business rates are now receiving the retail, hospitality, leisure discount so do not have to pay anything in this financial year. To put this into perspective we are now due to collect £23m in this financial year compared to £57m last year. Whilst the Covid-19 reliefs are in place it is difficult to predict the full extent of how business rates has been affected and this presents a significant risk to the future funding of local government.

3.42 A number of businesses have requested to extend or delay payments. Reminder notices started to be issued again in July 2020 but collection at the end of August is about 1% lower than at the same time last year, although somewhat distorted by the fact that a major ratepayer paid their bill in full at the beginning of the financial year.

3.43 The losses from business rates in 2020/21 are projected to be in the region of £2m of which 40% (£0.8m) would fall on this Council.

3.44 The Government recognises that the losses currently being recorded in respect of council tax and business rates are related to cash-flow rather than potential permanent loss. The government is therefore proposing that repayments to meet collection fund deficits accrued in 2020/21 will instead be phased over a three-year period (2021-22 to 2023-24) to ease immediate pressures on budgets. The Ministry of Housing, Communities and Local Government (MHCLG) will continue to work with the Chartered Institute of Public Finance and Accountancy (CIPFA) and local government on the detailed operation of the scheme – including the accounting, audit and reporting implications – with a view to providing guidance to councils later in the year.

3.45 ***Council is asked to note the estimated position in respect of collection rates for council tax and business rates for 2020/21*.**

Net effect – General Fund

3.46 The emergency will have a major impact on the ability to deliver the budget in 2020/21, as the loss of income and additional costs are expected to exceed government grant receivable. The combination of irrecoverable income losses and additional expenditure for the whole year 2020/21 is estimated to be circa £1.831m. This excludes the impact from Collection Fund losses as we await clarification on how these will be treated.

3.47 It is evident that Covid-19 has created the most challenging financial environment that the Council has ever faced. Coupled with ongoing uncertainty on the response to the pandemic and continued impact of the changes in government funding arrangements, especially the future of business rates and the economic climate, present particular concerns for the Council's budgets moving forward. Absorbing these losses through the use of reserves alone will have a profound and lasting impact on our future financial sustainability and, if not dealt with, will remove the council's capacity to achieve its corporate priorities and be to the ultimate detriment of Cheltenham's residents and businesses. It is of paramount importance that the Council aims to keep the level of its reserves robust and therefore a proposed strategy to deal with these losses and provide further resilience for the current financial year and the following two financial years is proposed in Section 4.

4. Financial Strategy to address the gap

4.1 The Government's policy of phasing out revenue support grant and allow, in due course, councils to benefit from a higher share of business rates created a need for this Council to develop a long-term strategy which was significantly different from that followed in past years.

4.2 Covid-19 has had a fundamental impact on that strategy which has clearly presented a new risk given the volatility of the economy. An element of that risk has been offset in 2020/21 through Section 31 grants to compensate councils for a package of reliefs and discounts that were announced at the beginning of the pandemic in respect of business rates.

4.3 The move to local business rates retention may not be so positive post Covid-19 as it is clear that the economy will take many years to recover. The Government's desire is to make sure that the system is fair and that there is a balance between incentives and managing risks, however, business rates retention may create another obstacle in the Government's commitment to unite and level up the country.

4.4 The scale of potential budget savings as a result of Covid-19 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 achieving savings. Regular progress meetings to monitor the delivery of savings will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.

4.5 Some of our income-streams like car parking may never return to the levels pre-Covid and so work has continued to look at alternative options to replace that income through the use of our significant asset portfolio.

4.6 A report from the Executive Director Finance and Assets on the assessment of the "Going Concern" status was presented to the Audit, Compliance and Governance Committee on 22nd July 2020. This is an assessment of whether an authority, its functions and services will continue in operational existence for the foreseeable future.

4.7 The Council does hold reserves that could be put forward to offset some of these losses but it is now clear that we need to reprioritise some of the initiatives planned in the February budget to ensure the Council remains financially viable and be creative by re-focussing and re-energising our asset portfolio to ensure they are being used to maximum benefit. Some assets are considered surplus to requirements and it is proposed that we look to generate maximum receipts from sale proceeds.

4.8 The Executive Director Finance and Assets has reviewed the existing capital programme and the council's existing asset base in order to assess the potential for generating additional capital receipts. Having completed comprehensive research, the Council needs to be proactive in using existing legislation to apply capital resources to fund revenue expenditure. In addition, it is proposed that capital receipts will be applied to repay debt, thus reducing the Minimum Revenue Provision (MRP) commitment which currently represents £2.062m expenditure in the current financial year 2020/21.

4.9 We have significant land ownership including the recently purchased 120 acres at West Cheltenham, we own many assets including an airport, over 5,000 homes, the freehold interest in the Regent Arcade, a supermarket, almost 200,000 sq ft of prime office accommodation, a depot, parades of secondary retail outlets, industrial units, start-up units, theatres, cultural venues, a Lido, a leisure centre, multiple car parks and many more which make a contribution to the prosperity of Cheltenham and the wider economy.

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

4.11 The strategy proposed below cannot be applied by every District Council as fundamentally Cheltenham is unique in comparison to many others. We have assets valued at in excess of £0.5Bn which is an extremely strong portfolio compared to our peers and is the overwhelming reason why we will continue to be a going concern and have the ability to ensure Cheltenham Borough Council is well placed to lead on the recovery from Covid-19.

Minimum Revenue Provision (MRP)

4.12 Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. land, buildings, and vehicles. Such expenditure, when financed through borrowing, is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual MRP which effectively matches the debt repayments.

4.13 MHCLG regulations require full Council to approve an MRP statement and a variety of options are provided to councils to calculate this revenue charge and the Council must satisfy itself that the provision is prudent. A local authority may change the method(s) that it uses for calculating part or all of its MRP at any time. Where a local authority changes the method(s) that it uses to calculate MRP, it should explain why the change would better allow it to make prudent provision. The revised MRP Policy is attached at Appendix 2.

4.14 The Council predominately uses option 3 (set out in the policy in Appendix 2), the annuity method, for making prudent provision of MRP. Under this option, councils are allowed by statute to use capital receipts for the repayment of any borrowing previously incurred. The application of capital receipts to repay debt would reduce the level of MRP chargeable to revenue. When the Council uses its capital receipts to redeem borrowing, the value of the MRP which would otherwise have been set aside for that year will be reduced by the amounts which have instead been repaid from capital receipts. This results in a prudent level of MRP, as there will be no reduction in the overall level of funding set aside to redeem debt.

4.15 To be clear, it is proposed that whilst this change in policy will still ensure prudent provision, the change in policy is a short-term treatment to meet the challenge of the extraordinary financial climate we are currently presented with. The projections within the MTFS in future years assume MRP will be met in full from revenue. However, the temporary application of capital receipts to repay debt in both 2020/21 and 2021/22 will reduce the level of MRP chargeable to revenue by £1.657m per annum. This will enable the Council to balance its budget in the current financial year and provide further resilience in 2021/22.

4.16 In addition, a change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory MRP, voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, the policy must disclose the cumulative overpayment made each year. Up until the 31st March 2020 the total overpayments was £0.889m and it is projected that this will be circa £1.4m by 31st March 2023. In order to utilise the voluntary overpayments to provide additional in-year resources when required, the revised MRP Policy attached at Appendix 2 reflects this change.

4.17 ***Council is therefore asked to approve the revised Minimum Revenue Provision (MRP) policy as detailed in Appendix 2.***

4.18 In order to realise the significant capital receipts required to deliver the proposal above, the Cabinet requested the Executive Director Finance and Assets to review the existing capital programme and the asset register. The recommendations from those reviews are as follows:

Capital Programme

4.19 The Cabinet recognises the importance of the town centre as part of our Covid19 recovery response however; we need to consider the allocation of funding for the High Street within the context of the Council being financially sustainable to lead that recovery. The existing capital programme earmarks funds to deliver phase 2 of the High Street public realm works at The Strand and Cambray Place, in conjunction with Gloucestershire County Council. This report outlines the reality of the impact of the Covid-19 pandemic and the urgent need to redirect resource to meet other financial pressures. Engagement with the County Council has already begun in mapping out the implications of potential changes in the funding available and how this might be approached.

4.20 Officers are currently exploring how some level of funding could be utilised to support the delivery of the High Street Project and our economic recovery. One option is to utilise a reduced level of base CBC funding and explore the potential re-purposing some of the ERDF funds secured for bio-diversity works. This may give scope for some innovative solutions. Reassessing the design to focus on a more environmentally sound and economically deliverable solution.

4.21 ***Council is therefore asked to approve the reallocation of £1.7m capital receipts previously allocated to the High Street works to be reallocated to repaying the MRP***.

Asset disposals

4.22 The Capital Strategy, agreed annually by Full Council, and the Investment Property Portfolio approved by Full Council on the 13th December 2016 set the following key aims:

- ***Support new business to stimulate growth and employment opportunities***.
- ***Work with partners such as Cheltenham Borough Homes and the Cheltenham Economic Recovery Task Force to regenerate sites within the Borough, including those owned by the Council***.
- Secure investment in the town to improve commercial and cultural heritage.
- ***Ensure our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough***.
- Increase the proportion of total income from commercial activities.

4.23 With the above in mind, the immediate focus has been on those assets held in our portfolio that are deemed surplus to operational requirements and are currently low yielding in terms of delivering a return to our residents. They are, however, strategically placed to drive economic activity and the creation of jobs to deliver much needed housing and commercial opportunities for the wider benefit of the whole town and its communities.

4.24 Whilst the disposal of assets is an executive decision, the Cabinet is keen to ensure any disposals are considered in an open and transparent manner. A number of the proposed disposals were presented to the Asset Management Working Group on 12th November 2020 for consideration, and those views will be captured when the Cabinet determines its final decision.

4.25 The following assets have been identified and it is anticipated that the proceeds (capital receipts) will generate in excess of £4m:

- Arle Nursery;
- 4 Ledmore Road;
- Ambrose Street public convenience;
- Horse & Groom;
- Idsall Drive car park;
- Land adjacent to 6 Saville Close;
- Land at Charlton Kings nursery;
- Land adjacent to 456 High Street.

4.26 The Cabinet accepts that some of the proposals may not be universally supported by some members and some individuals and groups in our communities but that they are put forward for the benefit of the whole Borough and to ensure the ongoing viability of the Council and the delivery of its priorities.

4.27 However, the Cabinet also recognises that whilst Covid-19 has expedited the review of the asset register, Council has already endorsed the principle of ensuring our land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the Borough; to a certain extent the Cabinet believes those assets identified for disposal should be progressed in any event.

4.28 Whilst the Council will look to work with partners such as Cheltenham Borough Homes to regenerate a number of these sites, it also acknowledges that some sites will be better served through Private Sector redevelopment. This will enable best value to be achieved, whilst also bringing forward suitable development in most instances.

4.29 The release of these sites will support new business to stimulate growth and employment opportunities. They will also help to deliver taxbase growth through council tax and / or business rates, CIL income, planning and building control application income, and new homes bonus. In addition, through providing opportunities to local developers and promoting sustainable development, it is anticipated that social value can be captured.

4.30 ***Council is therefore asked to note the identified asset disposals as detailed above.***

Summary

4.31 The additional costs and losses from income associated with Covid-19 have presented the biggest challenge ever to this Council in delivering a balanced budget. The strategy, outlined above, will go some way to ensuring the Council has a solid financial platform to lead the recovery.

4.32 ***Council is therefore asked to approve the virements, summarised at Appendix 3, in order to deliver a revised balanced budget in 2020/21, with a balancing contribution of £130,000 being met from the car parking equalisation reserve; a specific earmarked reserve created to fund fluctuations in income from the closure of car parks***.

5. The Golden Valley Development – home of Cyber Central UK

5.1 One of the Council's key ambitions is to make Cheltenham the Cyber Capital of the UK, creating a national centre of excellence for the cyber sector and wider tech industries that will be an engine-room for long-term inclusive growth for Cheltenham, Gloucestershire and the wider region https://www.goldenvalleyuk.com/

5.2 The Golden Valley Development – home of Cyber Central UK sets a vision for a campus style development focused around innovation in the cyber sector, driving forward the UK's mission to be a science superpower and global lead in cyber security. It also seeks to deliver up to 4,000 homes, directly contributing to another CBC priority regarding housing delivery and achieving a target of 40% affordable homes. The Golden Valley Development is a prominent feature within the Council's approved Medium Term Financial Strategy. Initial estimates suggest that this site alone could generate significant additional business rates, of which under existing regulations, Cheltenham would retain 40%. It will also generate additional council tax and new homes bonus. It is also important to consider the wider impact and economic significance this campus would have; attracting a wide range of international corporates / primes to locate and invest in Cheltenham and the surrounding region. There is also scope for it to make a pioneering contribution to a third council priority to be carbon neutral. Of equal importance is the role GCHQ adds to the town's wider economy. Securing the long-term presence and development GCHQ in Cheltenham is important to future economic outlook. The delivery mechanism being followed by the Council seeks a Development or Joint Venture partner, who when appointed will provide a financial return on the Council's investment which is structured around supporting long-term financial stability. It is important to emphasise that the project objectives relate to the delivery of social, economic, community and financial benefits. As the selection process progresses over the next few months a balance will need to be taken as to the level and nature of financial return sought against the level of other benefits. Of growing importance is understanding how this project could play a leading role and exemplar of a low carbon environment supported by smart city infrastructure. Details of these agreed overarching objectives are included in Appendix 6.

5.3 The Project's objectives are closely aligned with the national priorities relating to talent development, science & digital innovation, housing delivery, levelling-up, green recovery and employment growth. The Council is leading the delivery of this project, based on the significant economic and social opportunity that is presented. The Council has purchased land adjacent to GCHQ to ensure this 'once in a generation' opportunity is maximised to the benefit of the town and wider region. The cyber industry is valued at £8.2Bn in the UK and has doubled in value in the last two years. Covid-19 is likely to enhance the need for the UK to develop a greater commercial and government led response to cyber security threat, but also our ability to be able to do online business safely.

5.4 Since purchasing the land, the case for investment has increased and the vision strengthened considerably. A recent economic study commissioned shows a strong eco-system already thriving in Gloucestershire, with the largest concentration of cyber business in the UK outside London, with Cheltenham peaking with 11 times the level of activity in other hot spots and jobs growth in this sector of 34% in the last 5 years.

5.5 The vision for Cyber Central is focused around its compelling Value Proposition, based around the creation of a unique 'quadruple helix' of innovative potential; bringing together big / micro business, academia, and government. Layered over this are the other important offers of accessibility, development land, strong leadership and investment via the public sector, the existing strength of the eco-system anchored by GCHQ and the lifestyle / environment Cheltenham has to offer. When packaged together this provides a strong case for investment.

5.6 Following an intensive review period in light of the Covid-19 pandemic, the feedback received from investors, developers, cyber businesses and government departments such as DCMS and DiT is that this project carries even greater significance to the UK's post pandemic recovery to stimulate growth in a reshaped economy outside of the EU. This flagship development seeks to be an attractor to a wide range of businesses that will develop talent and skills with the potential to generate considerable long-term social value and wider regeneration. The scheme aims to deliver the following outputs:

- Between 2,000 and 5,000 jobs and circa 700 homes in the first tranche of development (on the CBC owned land 45 hectares)
- Other phases of development will see the campus / garden community extend over the full 200 hectares with over 2 million sq ft of employment space and c.4000 homes (in total).
- This would see potentially circa 12,000 jobs, with employee wages of £436m with a gross GVA of £837m (in total).
- This would see an increase in business rates of c.£15m per annum, council tax of £1.27m per annum, and New Homes Bonus contribution of £4m (over 4 years under current arrangements although this incentive based grant is likely to change post 2021).
- A financial return on the Council's investment and costs which would be structured to support long-term financial sustainability, but also be balanced against other project drivers (exemplar integrated development, cyber leadership, economy, housing, climate change, regeneration and social value).

5.7 The importance of this sector was further enhanced through the announcements of Gloucestershire's awards for the 'Build Back Better Fund' seeing 4 out of 5 schemes focused around cyber growth. The priority scheme was the new Minster Innovation Exchange in the heart of Cheltenham which provides accelerated delivery of the first significant step towards delivery of Cyber Central. This has drawn in a further £3.1M investment into the town and will charge the thriving cyber sector.

5.8 It is also essential that the Council maximise the opportunities in engaging with global firms in this sector, as interest grows in the scheme. This will allow the market to respond in an innovative way, and provides potential for a delivery and payback timeline that will see early wins in terms of high value jobs and economic growth.

5.9 To deliver a programme of this importance and magnitude requires considerable upfront investment. Cheltenham Borough Council has invested considerable funds in leading the Golden Valley Development which currently stands at in excess of £40m. At the outset of the project, the Council agreed to commit funds to maximise the opportunity that could arise from growth in this sector and the delivery of land at West Cheltenham. This resulted in a unanimous Council decision supporting the purchase of 45 hectares of strategically important development land in

August 2019. Since then the project has progressed considerably, now attracting national interest and support.

5.10 Considering the emerging position of the housing and office markets post pandemic, it is important we take a longer term view to investment and return – to enable major infrastructure challenges to be dealt with appropriately and maintain the highest standards of development and innovation. As part of our journey to seek a development and investment partner the council proposes to make available the value of the land, significant sums towards housing innovation and delivery (£100m for private housing and potential uplift for affordable housing through its Housing Revenue Account). The development partner / joint venture approach is predicated on our ability to support a short to mid-term cash-flow model, enabling major infrastructure investment and high quality outputs. Our ability to use our reserves and borrowing capabilities are therefore essential.

5.11 In delivering the project to date additional contributions of £642k (including external funding bids, stakeholder contributions, partnership working etc.) to support the project budget have enabled the momentum to be maintained and opportunities promoted at a national level. This investment into the project delivery and the high profile marketing and promotional campaign has resulted in:

- MHCLG Garden Communities Programme status
- Supplementary Planning Document adopted for the Golden Valley Garden Community
- J10 HIF funding of £239M in March 2020
- High profile launch in May 2020 attracting strong market interest during UK lockdown.
- A well advanced procurement process to secure a development partner, about to start the Final Bid Stage.
- Significant market interest from primes and SMEs in the cyber and associated tech sectors.

5.12 It was not originally envisaged how quickly the project would progress, nor the extensive interest and support received nationally. This has also brought a level of additional complexity and governance that requires a greater level of project resourcing. Most other major investment schemes have been deferred or delayed due to uncertainty in the market. However, interest in the Golden Valley Development has strengthened. If the opportunities set out above are to be fully pursued, additional resources are required to support and sustain that level of activity. In the period leading up to March 2022 the following key actions are required:

- Appoint a development partner.
- Appoint a strategic finance business partner to assist the Executive Director Finance and Assets to assess the bids, financially appraise future opportunities and provide financial governance to the programme.
- Secure planning consent.
- Continue to engage with leading operators, key businesses, innovators and investors that will enable this to become an internationally important development.
- Continue the ongoing promotion of the scheme to different markets, potential stakeholders, government bodies and other interests.
- Establish an effective contract / joint venture management framework leading up to and following the contract award.
- As part of the dialogue process, establish the most effective way to maximise the outputs set out in the council's vision whilst securing best consideration of the council's investment.

5.13 The next six to twelve months will be the crucial stage of this project. It is proposed the level of activity in a number of key work-streams is increased. It is important that we are able to provide bidding parties with the confidence in the scheme's investment value arising from interest from market leading primes as potential occupiers. It is also important that we fully support the final stage of the procurement by providing a joined-up approach linking the collaborative work with third party land interests and the emerging proposals for our preferred development partner, whilst managing the commercial and financial interest of the Council. Consideration also needs to be given to the transition of the project into the management of the development contract which will be at a significant scale.

5.14 In order to facilitate and maintain the level activity and scale-up the work-streams identified, seeking to deliver the vision and maximise the economic and social benefits it is estimated that a further budget provision of up to **£1.5m** is required. This provision will however be balanced against a number of funding bids and stakeholder contributions that maybe successful, for example; further capacity funding from Homes England for the Garden Communities Programme is pending and further contributions are sought from partner organisations based on the wider economic benefits across the county. In addition, it is likely that not all the work-streams will require the full estimated budget provision. Therefore, it is likely that the actual cost to the Council could be considerably less. Regular budget monitoring will be undertaken as part of the ongoing governance arrangements through the Executive Project Board, so that this financial exposure can be carefully managed.

S106 funds

5.15 Members will recall that the Council received a section 106 sum of £1m from a developer which in effect was a penalty payment for not providing affordable housing on the site, and was classified as a 'Relocation Sum' (being the difference between the value of the site with and without 40% of the dwellings being affordable).

5.16 The agreement does not specify any conditions or restrictions on the use of the £1 million sum, although the underlying principle behind the agreement was that it should be spent on affordable housing on the basis that the sum was received in lieu of such housing being provided by the developer.

5.17 The accounting treatment of all grants and section 106 contributions depends initially on whether there are any conditions, which if not met means the money has to be repaid. As there are no conditions, the receipt has been credited to the Income and Expenditure account; the consequential entries will be to the service cost centre if it is to be used for revenue purposes or to capital grants and contributions if is to be used for capital purposes.

5.18 In October 2018, Council approved an allocation of £300k from this sum to support 'seed funding' to Cheltenham Borough Homes to realise the Council's ambition to provide affordable housing and private rented sector housing to meet the needs of its residents.

5.19 Subject to viability, a proportion of the overall units at West Cheltenham, may be sold to Cheltenham Borough Homes (CBH) for lettings in the private rented sector with the balance sold on the open market (potentially through a Joint Venture partner) – with both the sales to CBH and the open market sales helping to cross subsidise the overall development and mitigate the long-term risk of holding the land. The combined borrowing power and proposed future approach will enable significantly accelerated delivery of the council's housing and community ambitions

5.20 ***Given that one of the key drivers for the delivery of the Golden Valley development is affordable and sustainable housing, Cabinet supports and recommends to Council that the remaining £700k balance of this sum is used to finance the ambitions and budget requirement as set out above***.

Flexible use of capital receipts strategy

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

5.22 The Council is required to prepare a “Flexible use of capital receipts strategy” before the start of the year to be approved by Council which can be part of a budget report to Council. This Strategy therefore applies to the financial year 2021/22 which commences on 1st April 20021.

5.23 The Executive Director Finance and Assets has determined that the Cyber Central (Golden Valley Development) initiative is a “Collaboration between local authorities and central government departments to free up land for economic use” and therefore meets the definition of qualifying expenditure.

5.24 As stated on many occasions, the principles of the latest settlement allow authorities to spend locally what is raised locally, which is why the Council is so focussed on keeping our investments within our own Borough.

5.25 All of our strategies and policies align behind legislation and guidance but are tested to ensure our ambitions can be achieved. Prudent estimates suggest the commercial element of the Golden Valley development will deliver in excess of £15m in new business rates alongside rental potential via ground leases and direct landlord activity.

5.26 In addition, circa 700 new homes will deliver in excess of £1.2m in council tax per annum as well as attracting New Homes Bonus under the existing financial regime. It is therefore, clearly evident that the expenditure for which the flexibility can be applied (set up or implementation costs) will generate ongoing revenue in future years which will be utilised to improve the quality of service delivery in the future.

5.27 ***Council is therefore asked to approve the flexible use of capital receipts strategy as detailed in Appendix 4 which will apply to the financial year 2021/22, utilising £0.8m of capital receipts to part-fund the implementation costs of bringing the Golden Valley development forward.***

6. 2021/22 Budget Process

6.1 The responsibility for preparing the budget in line with the Council’s policy framework, taking proper account of technical and professional advice and presenting proposals to Council for approval, lies with the Cabinet. Whilst it is customary for the Cabinet Member for Finance, at this time of year, to present a report on the budget process, she is mindful of the unprecedented circumstances which make it impossible to predict what the future holds on so many fronts.

6.2 The Treasury has confirmed the Comprehensive Spending Review will only set departmental budgets for next year, due to the economic disruption caused by Covid-19.

6.3 A statement from the Treasury said: “In order to prioritise the response to Covid-19, and our focus on supporting jobs, the chancellor and the prime minister have decided to conduct a one-year Spending Review, setting department’s resource and capital budgets for 2021/22, and devolved administration’s block grants for the same period. While the government would have liked to outline plans for the rest of this parliament, the right thing today is to focus entirely on the response to Covid-19 and supporting jobs - that’s what the public would expect.”

6.4 The budget and policy framework requires that the Council publish a timetable setting out the key dates in the budget setting process. With the above statements in mind, a draft budget timetable, attached for approval at Appendix 5, sets out the sequence of events leading up to the setting of the budget and council tax level for 2021/22.

6.5 In approaching the budget setting process for 2021/22, the Cabinet will endeavour to adhere to some well-established principles designed to deliver budget proposals in a timely manner following proper process, including:

- Early and clear direction input from Cabinet and the Executive Leadership Team.
- Ensuring that Financial Services maintain a strong role in moderating the process.

- Executive Director Finance and Assets (Section 151 Officer) to lead and advise on strategic budget issues.
- Agreeing Cheltenham Borough Homes (CBH) management fee and Housing Revenue Account (HRA) budget as early as possible.
- Maintaining good communications between the Chief Executive, Executive Leadership Team, Council Leader, and Cabinet Member for Finance over budget progress / issues.
- Ensuring consultation with all stakeholders and ensure that employees are aware.
- Including the Overview and Scrutiny Committee and the Budget Scrutiny Working Group in the budget process.

6.6 During November 2020, the Cabinet Member for Finance and officers will work with the Cabinet towards the creation of 'interim budget' proposals which will make the following assumptions:

- The projection will be for a standstill budget, prepared under a general philosophy of no growth in levels of service. Inflation for contractual and health and safety purposes will only be allowed where proven at the appropriate inflation rate.
- Budget for employee pay inflation and an increase in member's allowances of 2% for 2021/22, recognising that the Chancellor has already indicated pay constraint to take into account the wider economic context.
- The current MTFS only assumes inflation on fees and charges at an average rate of 2% annually over the 4-year period for green waste, burial and cremation fees. These increases will be assumed in the preparation of the standstill budget and any deviation from this will form part of the interim budget proposals, recognising that the 12-month Consumer Price Index (CPI) rate was 0.5% in September, up from 0.2% in August.
- The vast majority of fees and charges are generated within the Place and Growth Division and a target of £50,000 per annum is set within the existing approved strategy for more targeted reviews of income generation, as opposed to a blanket increase across the board to reflect market forces and CPI.
- The impact of prevailing interest rates on the investment portfolio will be assessed in preparing the budget. The Treasury Management Panel will consider the position in respect of treasury management activity during the budget setting cycle.
- An assessment of the charges to be made to Cheltenham Borough Homes and the Housing Revenue Account will be incorporated in the budget proposals, including assessing the impact on the General Fund of the changes to the housing benefit subsidy system.
- Whilst a council tax increase of 2.00% has been used for modelling purposes, the Cabinet is mindful that the package of support measures and the impact from Covid-19 on its own resources is unprecedented. Tax rises are inevitable and the Cabinet will await the announcements from Central Government when determining the council tax increase for 2021/22.
- Proposals for service growth will be included, where supported.

6.7 The Cabinet will present its initial budget proposals and publish them for consultation in line with the advertised plan. The initial budget proposals will include all general fund revenue, capital and housing revenue account estimates to meet a balanced budget, together with assumptions made on future council tax and rent levels.

6.8 ***Council is therefore asked to approve the budget-setting timetable at Appendix 5 and note the 2021/22 budget process outlined above.***

7. Business Rates Retention – Pooling

7.1 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.

7.2 Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.

7.3 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.

7.4 Given the economic uncertainty from Covid-19, the anticipated level of business rates due to this Council in 2021/22 is difficult to predict. With the reliefs and discounts being provided by Central Government in the current financial year, the Council is still above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'. Clearly, if similar reliefs and discounts are continued in 2021/22 the Council will be in a similar position.

7.5 Taking the above into account, it is the opinion of the Section 151 Officer that this Council will benefit from remaining in the pool in 2021/22 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements. Once the settlement has been announced and there is more clarity on how business rates will be funded in 2021/22, we reserve the right to withdraw and the final decision will be communicated to Members as part of the final budget proposals.

7.6 ***Council is therefore asked to notes the intention for this Council to remain in the Gloucestershire Business Rates Pool in 2021/22 as outlined above and note that the Council reserves the right to withdraw after the local government finance settlement announcement.***

8. Housing Revenue Account (HRA) - Revised Forecast 2020/21

Revenue

8.1 The forecast revenue position after the first six months of 2020/21 shows a negative variance of £149,000 from budget, reducing the operating surplus for the year to £1,201,000 (previously £1,350,000). The following significant revenue variations have been identified:

- Additional costs of £340k relating to the HRA share of the Golden Valley project are now included.
- Interest Payable has been reduced by £244k to reflect a lower borrowing requirement following Covid-19 related delays to the Capital Programme.
- Interest Receivable has been increased by £55k to reflect the higher level of reserves brought forward from 2019/20.
- Additional Covid-19 related one-off costs have been forecast at £60k for the year. These include protective equipment, cleaning and sanitising, risk assessments and tenant mail-outs.

Other smaller variations relate to the following:

- During lockdown Universal Credit cases substantially increased, our cash halls were closed, and rental collection dropped. Overall the fall in rent collection was restricted to 97.18% in Quarter 1 of 2020/21 with the collection rate increasing to just over 100% of the rent charge in Quarter 2 due to proactive work with tenants (this reflects that the Council has recovered more in the period than rent charged thus reducing arrears brought forward). Rent arrears rates continue to be below the average for the sector although higher than projected in the budget.
- Void properties are higher than budgeted at 0.9% therefore dwelling rents are expected to be slightly lower this year as a result. The higher void rate is due to the Coronavirus lockdown extending re-letting periods.
- There were 9 Right to Buy sales to the end of September 2020 which is in line with the budget of 20 for the year; 7 properties have been acquired this year which is much lower

than the budget of 25 - this is mainly due to Covid-19 lockdown restrictions. Acquisition activity is returning to normal levels since lockdown has been lifted.

- The forecast for non dwelling rents has been reduced to reflect lower car park income and reduced income from several of our commercial units following rent deferments. These reductions are specifically related to Covid-19.

Capital

8.2 The HRA capital programme shows a reduction in forecast spend of £9.732m, now at £20.044m compared to the original budget of £29.776m. The programme has been impacted by the Coronavirus pandemic. The following significant variations have been identified:

	Note	Original Budget 2020/21 £m	Forecast 2020/21 £m	Variance £m
Major voids including Option Appraisal Voids	a	0.700	0.624	0.076
New heating installations	b	1.238	0.684	0.554
Door entry schemes	c	0.269	0.453	(0.184)
Lift replacements	d	0.135	0.028	0.107
Fire protection works & carbon monoxide detectors	e	0.150	0.243	(0.093)
Windows and Doors	f	2.800	1.707	1.093
Internal Improvements - communal areas	g	0.225	0.710	(0.485)
HRA new build	h	20.000	11.320	8.680

Notes

a) Conversion works at Belmont Lodge will be delayed into late 2020/21 and early 2021/22 due to priority being given to larger Capital programmes.
b) Replacement of Electric heating and 2 Communal Heating systems has been delayed by Covid-19 and are now programmed for 2021/22. This will ensure that sheltered residents are not impacted by any temporary loss of heating during the winter months.
c) The door entry project is expected to cost more than originally budgeted as the programme has changed from an upgrade to a replacement. We initially planned and investigated an upgrade to the equipment in order to reduce costs however after further work and competitive tender and to ensure we have a solution for the long term the best option has been confirmed to be a full replacement.
d) Lift replacement at Bendall House will be delayed until 2021/22. The project has been delayed by Covid-19 and further expert advice is being sought on whether to overhaul or replace.
e) Following planned works additional remedial works, particularly to Fire Door panels has been identified at Wallace & Goldfoot House.
f) Contractors were off site for approximately four months due to COVID. A supplier of fire doors with updated fire certification has now been identified by our supplier. The fire door replacements will now take priority over window replacements which will roll into 2021/22.
g) The communal lighting works programme has been delayed due to one contractor entering administration and having to retender these works. In addition, as the programme has been carried out this year additional works have been identified to ensure compliance as well as improve energy performance.

h) Covid-19 restrictions led to delays on schemes which are currently on site as well as the ability to progress acquisitions. This has pushed back all related work. Opportunities and schemes have not been 'lost' during this time but the whole programme has been delayed.

9. Alternative options considered and Section 151 Officer advice

Use of Reserves

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

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

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

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

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds (earmarked reserves) to meet known or predicted requirements.

9.5 In assessing the adequacy of reserves and balances for 2020/21, the Section 151 Officer used a risk-based approach to assess the appropriate level of general balances which calculated the optimum level to be £1.219m. As at 31st March 2020, the General Fund Balance was £1.273m and therefore is marginally above the optimum level recommended by the Section 151 Officer.

9.6 In accepting the mandate from Government that "Councils will now have to shoulder some of the burden", we do accept that reserves should not be held without a clear purpose, and therefore accept that some of our reserves may need to be deployed to counter some of the losses incurred.

9.7 If Members are not minded to support the proposed strategy as detailed in Section 4, The Council could release £846k from general balances based on the most recent assessment. In addition, it could release £525k from dedicated earmarked reserves i.e. a total of £1.371m although this would still leave a projected shortfall in this financial year of £460k which would need to be found through other means.

9.8 In taking this course of action, Members would need to be aware that in the opinion of the Section 151 Officer, this would leave the balance of our reserves at a precariously low level and make it difficult for him to sign off the adequacy of reserves, via his Section 25 report, in the course of setting the budget for 2021/22. Members would need to make extremely difficult choices in terms of service provision in future years to enable the Council to replenish its reserves in future years.

9.9 Given the uncertainty surrounding the longevity of the pandemic and the crippling effect it is having on the economy, coupled with the uncertainty on future local government finances, the Section 151 does not support this option.

Section 114 notice

9.10 Section 114 (1) of the Local Government Finance Act 1988 places a duty on the Section 151 Officer to report certain matters to the authority. The duty of the Section 151 Officer to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure a course of action is unlawful and is likely to cause a loss or deficiency an entry of account is unlawful.

9.11 Likewise, the Section 151 Officer must inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the Council has considered the report.

9.12 However, CIPFA proposes that there should be a temporary modification to existing guidance in order to create an opportunity, within existing statutory limits, to enable an exploration of what further options and/or financial assistance may be available which this report inevitably tries to cover.

9.13 The proposed modifications are as follows:

- At the earliest possible stage, a Section 151 Officer should make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming Section 114 requirement.
- The Section 151 Officer should communicate the potential unbalanced budget position due to COVID-19 to MHCLG at the same time as providing a potential s 114 scenario report to the council executive (Cabinet) and the external auditor.

9.14 In practice this means it should not normally be necessary for a Section114 report to be issued while discussions with the government that would address the issue are in progress.

9.15 At the request of MHCLG, the Section 151 Officer has communicated his concerns. These discussions confirmed that a Section 114 notice would result in an immediate and severe curtailing of activity to the provision of non-statutory services. Even those statutory services, like waste collection, may be subject to reduction in frequency. The lists below will largely be replicated in many other councils at the District tier of local authorities.

9.16 Services that would continue with some at de-minimis levels could include:

- Waste and recycling collection (e.g. reduced to 3 weekly)
- Street cleaning
- Planning & licensing
- Building control
- Crematorium (to support Covid-19 response)
- Environmental health
- Housing (via Cheltenham Borough Homes)
- Council tax and rates collection
- Housing benefit
- Parking services

9.17 Services that could be curtailed/stopped

- Commercial and growth strategy including ceasing the flagship Golden Valley development
- Closure of Leisure and culture facilities (via our Trust)
- All economic development & regeneration
- Closure of the Household Recycling Centre at Swindon Road (CBC operates a well-used discretionary service independent of the 5 sites operated by Gloucestershire County Council)
- Ending of any financial support to visitor economy
- Parks, gardens and grounds maintenance (resulting in some closures)
- Cease CBC led schemes that seek to develop affordable housing
- Closure of public toilets
- Ending of recognised programmes to prevent Child Poverty and deprivation
- All programmes to tackle climate change and reduce carbon emissions
- Re-starting of seagull egg oiling

9.18 In summary, a section 114 notice would effectively lead to a wide-ranging deconstruction of public facilities and services which would impact everyone who lives, works and visits Cheltenham. It would also damage future plans for growth, reduce employment, job creation and leave the spaces and places of Cheltenham in an increasingly deteriorating state which would be more costly to repair and revitalise as time progressed. The Council needs to show appropriate leadership in the recovery and therefore, for obvious reasons, the Section 151 does not support this option.

Exceptional support from Central Government

9.19 The Council, via its Chief Executive and Section 151 Officer, could apply to the Government for exceptional support. This would inevitably require a comprehensive assessment of the Council's finances to ensure all options have been explored.

9.20 Given the unprecedented support of in excess of £4.6Bn to the sector to support additional expenditure, financial packages delivered to provide support to businesses and individuals, and the income compensation scheme to cover a proportion of losses from sales, fees and charges, it is unlikely that any additional support would come in the form of an unconditional grant.

9.21 It is likely that exceptional support would come in the form of capitalisation directives (allowing Council's to use capital receipts or borrowing to fund revenue expenditure) or deferral of payments – effectively 'kicking the problem into the future'.

9.22 The strategy proposed in this report at Section 4 uses existing legislation to use capital receipts to fund revenue expenditure without requesting intervention from Government.

9.23 Given the uncertainty surrounding the longevity of the pandemic and the crippling effect it is having on the economy, coupled with the uncertainty on future local government finances, the Section 151 does not support the option of making a specific approach to government for intervention at this stage.

10. Conclusion

10.1 Legislation does not prescribe how much the minimum level of reserves should be. The Section 151 Officer is tasked with recommending the minimum level of reserves required as part of the budget setting process having regard to elements of risk in the Council's finances. Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report on the adequacy of the Council's financial resource.

10.2 In coming to a decision in relation to the revenue budget, the Borough Council and Councillors have the following legal duties:

- To act in accordance with their statutory duties and responsibilities;

- To act reasonably; and
- To have careful regard to their fiduciary duty to its rate payers and council tax payers.

10.3 When making decisions, councillors are reminded of the obligation to act reasonably and in accordance with the principals set down in the Wednesbury case. This means that councillors are required to take into account all relevant considerations and ignore any irrelevant considerations. Put simply, it would be unlawful for the Council to come to a view which is unreasonable in the sense that it is so irrational that no reasonable authority could have reached it.

10.4 The meaning of fiduciary duty is more difficult to define but can be summarised as a duty to conduct administration in a business-like manner with reasonable care, skill and caution and with due regards to the council's rate payers. When discharging their fiduciary duties councillors will need to consider the following:

- Prudent use of the council's resources, including the raising of income and the control of expenditure;
- Financial prudence both long and short term;
- Striking a fair balance between the interest of the tax payers on the one hand and the community interest and adequate and efficient services on the other hand;
- Acting in good faith with a view to complying with statutory duties and exercising its statutory powers for the benefit of the community.

10.5 The decision for applying Council resources to meet the unprecedented impact from Covid-19 lies with Council, but the unequivocal advice from the Section 151 Officer is to support the recommendations set out in this report.

11. Consultation

11.1 The Asset Management Working Group has been meeting during the course of the year and has made a positive contribution to the asset disposal and acquisition process in considering various aspects of the property portfolio. The group met on 12th November 2020 and comments have been fed back to the Cabinet

11.2 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 9th November 2020 and comments have been fed back to the Cabinet.

11.3 The Treasury Management Panel has been meeting during the course of the year and has made a positive contribution in monitoring the performance of the Council's treasury management strategy and investment portfolio.

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Appendices	1. Risk Assessment 2. Revised MRP Policy 2020/21 3. Budget virements for approval – 2020/21 Revised Budget 4. Flexible use of capital receipts strategy 2021/22 5. 2021/22 budget setting timetable 6. Golden Valley development overarching objectives

Background information	1. Assessment of the going concern (Audit, Compliance and Governance Committee 22nd July 2020). 2. General Fund Revenue and Capital – Revised Budget 2019/20, and Final Budget Proposals 2020/21 (Council 17th February 2020) 3. Capital, Investment, Treasury and MRP Strategies and Statements 2020/21 (Council 23rd March 2020).

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	**Risk description**	**Risk Owner**	**Date raised**	**I**	**L**	**Score**	**Control**	**Action**	**Deadline**	**Responsible Officer**	**Transferred to risk register**
CR3	If the Council is unable to come up with long term solutions which close the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	01/09/2010	5	3	15	Reduce	The budget strategy projection includes 'targets' for work streams to close the funding gap which aligns with the council's corporate priorities.	Ongoing	ED Finance and Assets	01/09/2010
CR105	If the Budget Strategy (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Section 151 Officer in the council's Medium Term Financial Strategy	ED Finance and Assets	01/04/2016	5	4	20	Reduce	The MTFS is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2020/21 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.	Ongoing	ED Finance and Assets	
1.02	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business	ED Finance and Assets	14/09/12	5	4	20	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by	Ongoing	ED Finance and Assets	

	and 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	4	4	16	Reduce	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	ED Finance and Assets	
1.07	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be incorrect, then there is	ED Finance and Assets	13/12/10	5	3	15	Reduce	Work with Publica and countywide CFO's to monitor changes to local government financing regime including responding to	Ongoing	ED Finance and Assets	

	likely to be increased volatility around future funding streams.							government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.			
New corporate risk	If government support to compensate this Council for the impact of COVID-19 is insufficient, greater reliance will be placed on the use of reserves, service reduction and asset sales.	ED Finance and Assets	13/12/10	5	3	15	Reduce	The Council will continue to lobby for additional resource, as promised by Central Government from the outset of the pandemic. Work programmes are underway to review service provision, capital programmes and rationalisation of assets.	Ongoing	ED Finance and Assets	
	If failure to appoint a suitable development partner for the Golden Valley Development results in potential delay of delivery, increase in delivery costs or a failure to meet the council's ambitions for the project.	MD Place & Growth	29.10.20	4	3	12	Reduce	The procurement and competitive dialogue process has been designed to minimise the risk that an unsuitable development partner will be appointed. In addition, the dialogue process allows for flexibility to identify, manage and mitigate potential risks to the delivery of the scheme and consider	Ongoing (until final close / contract award)	MD Place & Growth	

								approaches to investment, returns and economic and social benefits as part of the appointment process.			
	Failure to appropriately fund and resource the Golden Valley Development results in a failure to deliver the project and the ambitions of the proposed scheme. Failure to resource the programme may result in delay, increase costs, reduced capacity to identify and manage risks. This includes a reduced ability to draw on appropriate expertise to ensure that the appointment of a suitable development partner and a fit for purpose delivery vehicle.	MD Place & Growth	29.10.20	4	3	12	Reduce	A review of the programme has been completed to project and identify necessary costs to secure appropriate capacity and expertise to progress the Golden Valley Development. Approval by Council of additional funding as described in the Budget report will significantly reduce this risk and enable ongoing delivery of the programme.	Ongoing	MD Place & Growth	