

**Cheltenham Borough Council**  
**Cabinet – 22<sup>nd</sup> December 2020**  
**General Fund Revenue and Capital - Interim Budget Proposals**  
**2021/22 for Consultation**

<b>Accountable member</b>	<b>Cabinet Member for Finance and Assets, Councillor Steve Jordan</b>
<b>Accountable officer</b>	<b>Paul Jones, Executive Director Finance and Assets (Section 151 Officer)</b>
<b>Accountable scrutiny committee</b>	<b>Overview and Scrutiny Committee and Budget Scrutiny Working Group</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	<p>This report sets out the Cabinet’s interim budget proposals for 2021/22 for consultation. The assumptions within the interim budget proposals are based on the local government provisional finance settlement for 2021/22 which was released by MHCLG on 17<sup>th</sup> December 2020.</p> <p>The impact of Covid-19 on the finances of local authorities, coupled with a decade of austerity and budget cuts, is unprecedented. National news tells a story of local authorities struggling to balance the books with some warning of the possibility of issuing section 114 notices without further financial support from Central Government. Since the start of the pandemic, the situation has been 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.</p> <p>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. The council’s ambition to make Cheltenham the cyber capital of the UK is critical to ensuring that the council achieves financial sustainability and was addressed as part of Covid-19 recovery revised budget 2020/21, agreed by Full Council on 16<sup>th</sup> November 2020. The recommendations within this report aim to ensure a balanced budget is delivered in 2021/22, that sufficient revenue resources are transferred to reserves to provide a cushion to combat the medium term effects of Covid-19 and that appropriate resources continue to be directed towards our key priorities.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. Approve the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council of £219.08 for the year 2021/22 based on a band D property (an increase of 2.34% or £5.00 a year for a Band D property).</b></li> <li><b>2. Note the detailed schedule of target savings at Appendix 3.</b></li> <li><b>3. Approve the growth proposals at Appendix 4 and outlined in</b></li> </ol>

section 4, for consultation.

4. Approve the proposed capital programme at Appendix 6, as outlined in Section 7.
5. Delegate authority to the Executive Director Finance and Assets, in consultation with the Cabinet Member for Finance and Assets, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for public consultation which will include any changes arising from the provisional settlement.
6. Seek consultation responses by 27<sup>th</sup> January 2021.

<b>Financial implications</b>	<p>As contained in the report and appendices.</p> <p><b>Contact officer: Paul Jones.</b></p> <p><b>E-mail: paul.jones@cheltenham.gov.uk</b></p> <p><b>Tel no: 01242 264365</b></p>
<b>Legal implications</b>	<p>This report proposes an interim budget for consultation purposes and there are no specific legal implications at this stage.</p> <p><b>Contact officer: One Legal</b></p> <p><b>E-mail: legal.services@tewkesbury.gov.uk</b></p> <p><b>Tel no: 01684 272012</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>Relationships with the two recognised trade unions continue to remain very positive. The Executive Leadership Team and the HR team will continue to work closely with TU colleagues in order to ensure that any potential impact on employees as a result of realisation of budget savings are kept to a minimum.</p> <p>The Council has committed to investment in the future of apprenticeships and the budget proposals provide an additional £75,000 to the base budget which will provide for a cohort of 4 apprentices who will commence employment at the Council in September 2021. To ensure the success of the apprenticeship programme there will be a requirement for additional L&amp;OD resource to support both the line managers and apprentices through to completion of their qualification.</p> <p><b>Contact officer: Julie McCarthy</b></p> <p><b>E-mail: julie.mccarthy@publicagroup.uk</b></p> <p><b>Tel no: 01242 264355</b></p>
<b>Key risks</b>	<p>As outlined in Appendix 1</p>

<b>Corporate and community plan Implications</b>	The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.
<b>Environmental and climate change implications</b>	The draft budget contains a number of proposals for improving the local environment, as set out in this report.

## Background

- 1.1 In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2021. This report sets out the interim proposals for 2021/22.
- 1.2 The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, in 2021/22 more than 78% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards, although Covid-19 has presented a significant new risk to the future funding of local government and the Governments 'levelling up' agenda.
- 1.3 It was expected that government reforms to local government funding would be implemented in 2021/2022. However, as announced earlier in the year, the Government will not proceed with the implementation of the Review of Relative Needs and Resources (formerly known as the Fair Funding Review) and 75% Business Rates Retention in 2021/22.
- 1.4 The Chancellor of the Exchequer announced a one year spending round on 25<sup>th</sup> November 2020 as part of the Spending Review (SR20) and in order to provide further stability, the Government announced that the reset of accumulated business rates growth will not take place in 2021/22. These decisions allow both the Government and councils to focus on meeting the immediate public health challenges posed by the Covid-19 pandemic.

## 2. Settlement Funding Assessment

- 2.1 The assumptions within the interim budget proposals are based on the local government provisional finance settlement for 2021/22 which was released by MHCLG on 17<sup>th</sup> December 2020.
- 2.2 The headlines from SR20 which directly affects local government were:
  - It is a one year spending review covering 2021/2022 only;
  - Confirmation that the Fair Funding Review, Business Rates Review and Business Rates reset has been deferred by at least 12 months;
  - As the Council continues to be at the forefront of the response to Covid-19, the Government has announced another £1.55bn of un-ring-fenced grant for pressures that emerge through the first quarter of 2021/2022 – the Council's allocation in 2021/22 is £540,136 which will be transferred to General Balances to off-set additional expenditure incurred throughout the year;

- There will be an extension of the sales, fees and charges compensation scheme (which refunds 75% of eligible income losses beyond a 5% threshold) for the first 3 months of 2021/2022;
- £670m of un-ring-fenced grant funding is being provided which is aimed directly at supporting councils to meet the anticipated additional costs of providing Local Council Tax Support (LCTS) in 2021/22, resulting from increased unemployment – the Council’s allocation in 2021/22 is £163,000 and will be used to off-set the consequential decrease in taxbase in 2021/22;
- The Government have announced that they have set aside £762m to compensate billing and major precepting authorities for 75% of irrecoverable council tax and business rates losses accrued during 2020/21 – we await the detail of how this will be allocated;
- The council tax referendum limit will remain at 1.99%. District Councils will be able to increase council tax by up to £5 per annum if this is greater than 2%;
- An additional £254million resource funding to tackle homelessness and rough sleeping, including the £103m announced at Budget 2020 for accommodation and substance misuse support next year;
- Legacy New Homes Bonus (NHB) payments in respect of year 8 and year 9 will be honoured. There will be a new round of 2021/22 payments (year 11) based on the same calculation process. Whilst the Council did not qualify for any Year 11 payments as a direct result of Covid-19, it will receive the bonus payments in respect of 99 new affordable housing units delivered which equates to £27,720;
- Next year’s Baseline Funding Levels will be frozen because government has decided to freeze the multiplier to help businesses. Councils will be compensated for this and the money will go through the grant for under-indexation instead, and it will be calculated in the usual way;
- Funding to remove negative Revenue Support Grant (RSG) has been continued for 2021/22;
- Decisions on wages are the responsibility for individual councils. The Government expects local government to exercise restraint about pay, given the wider macro-economic climate;
- From 26<sup>th</sup> November, the Government has implemented reforms to the Public Works Loan Board (PWLb). The changes to the lending terms are intended to stop councils that invest primarily for yield from borrowing from the PWLB. Councils will still be free to borrow for service delivery, housing, regeneration, preventative action (to invest in local businesses to protect the local economy) and government priorities.

**2.3** In addition to the above, the provisional finance settlement for 2021/22 provided for a new one-off grant in 2021/22 referenced as the ‘Lower Tier Services Grant’. This is a new grant that has been funded from the NHB returned surplus. It would appear that its function is to reduce the range of increases in Core Spending Power (CSP), largely by “levelling up” those with the lowest taxbases, and to provide a “floor” increase for every authority (i.e. to ensure that no authority’s CSP is lower in 2021/22 than it was in 2020/21). The Council’s allocation in 2021/22 is £163,000.

**2.4** The Council’s approved Medium Term Financial Strategy (MTFS) was predicated on the basis that council tax will increase by £5 per annum. However, the proposal to retain business rates growth achieved between 2013 and 2020 for a further year alongside a continuation of the removal of negative RSG should have a positive effect on the councils funding in 2021/22, notwithstanding the longer-term implications of Covid-19.

**2.5** The MTFS assumed legacy payments for NHB would be honoured for years 8 and 9 which has been confirmed.

## **Retained Business Rates**

**2.6** 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.

- 2.7 Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 2.8 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.
- 2.9 The anticipated level of business rates due to this Council in 2021/22 is significantly above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.
- 2.10 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

## **Council Tax**

- 2.11 Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 2 per cent for all local authorities in 2021/22. However, shire districts will be allowed increases of up to and including £5, or up to 2 per cent, whichever is higher.
- 2.12 With increased pressure to deliver services with reducing government support, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 2.13 The tax base has decreased by 0.4% in 2020/21 against the target increase of 0.8%. This decrease primarily arises from additional claimants of LCTS in the past 9 months and has been partly compensated by a one-off LCTS grant in 2021/22.
- 2.14 With this in mind, the Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.
- 2.15 The uncertainty surrounding the fair funding review, business rates and the future replacement for New Homes Bonus post 2022, places a greater reliance on council tax as our main source of income.
- 2.16 Therefore, at this stage the Cabinet is proposing a 2.34% increase in council tax in 2021/22; an increase of £5.00 for the year for a Band D property. The District Council's Network (DCN) have been lobbying for District Council's to have the flexibility to increase council tax by up to £10.00 for the year for a band D property; upper tier authorities and police authorities have already been given extra flexibility. The Cabinet is keen to understand the views of the public and the rationale for such increase is articulated in paragraph's 4.17 to 4.18.

## **Collection Fund**

- 2.17 Under normal circumstances, collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates and the Council's actual share is traditionally confirmed within the final budget proposals presented to Council in February of each year. At this point in time, it is anticipated that there will be a deficit on the collection fund in 2020/21, primarily arising from increased claimants of LCTS, payment failure and a partial slump in the house-building sector during the first lockdown.
- 2.18 Whilst an element of this deficit will be off-set from the surplus brought forward from 2019/20, it

was initially anticipated that the remaining deficit would be spread over 3 years. It was therefore pleasing to hear in SR20 that 75% of irrecoverable council tax and business rates losses accrued during 2020/21 will be compensated through Local Tax Income Guarantee Scheme.

### **3. The Cabinet's budget strategy**

- 3.1** In the current exceptionally difficult national funding situation, coupled with the devastating financial impact of Covid-19, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's net costs via a commercial mind-set. Our aim is to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.
- 3.2** The key mechanism for carrying out this strategy is the commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.
- 3.3** 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”.
- 3.4** Part of our drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.
- 3.5** The proposals within these budget proposals 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 from Covid-19.
- 3.6** The Cabinet believes the longer term approach to finding efficiencies to close the funding gap is fundamentally through economic growth and investment and the efficient utilisation of our assets; linking our Place and Commercial Strategies to ‘Invest in Cheltenham, for the benefit of Cheltenham’. This has seen a place focused investment approach offering long term investment, income through rents as well as other social and financial benefits. The Executive leadership team's collaborative approach has enabled considerable progress.
- 3.7** The budget strategy indicates broadly how the Council will close the projected funding gap over the period 2021/22 to 2024/25 with the stated aim to become financially sustainable. In future years, it includes targets rather than necessarily specific worked up projections of efficiency savings and additional income to allow the Executive leads autonomy and flexibility. Engaging with stakeholders will be crucial when it comes to developing a sense of ownership in local decision-making and service delivery. Working with stakeholders will allow the council to fine tune services based on actual needs. Holding adequate information upon which to base the allocation of scarce resources is essential to address under-met needs. The detailed schedule of target savings is provided within Appendix 3.
- 3.8** The starting point for constructing the 2021/22 budget has been a projected funding surplus of £0.589m. This has predominately been created by the innovative proposals agreed by Full Council on 16<sup>th</sup> November 2020 to provide a cushion for the medium term impact on losses from sales, fees and charges, council tax and business rates, in addition to the additional support

provided by Central Government.

**3.9** In preparing the interim budget proposals, the Cabinet and officers have considered the following:

- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven;
- Budgeted for pay inflation at 1% for 2021/22, with an additional 1% held in contingency;
- Budgeted for an increase in Members allowances of 1% for 2021/22;
- Frozen all fees and charges at 2020/21 levels;
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

## **4. Growth Proposals**

**4.1** In previous years, budgets have been prepared under a general philosophy of no growth in services unless there is a statutory requirement or a compelling business case for an 'invest to save' scheme. However, the Council's aspirations to modernise its offer, become financially sustainable, lead the recovery from Covid-19 and be carbon neutral by 2030, requires a different approach to deliver the outcomes defined above.

**4.2** Cheltenham Borough Council (CBC) was one of, if not the first council to publish a Recovery Strategy. That early publication and consultation enabled the council to clearly signal recovery aims and objectives. The economy is in a difficult position nationally and being able to respond dynamically will be key to supporting the rest of the town to recover.

**4.3** The Recovery Strategy is informed by existing corporate plans so aligns with the council's established vision of place and longer term priorities. That the council was able to take the Corporate Plan and adapt it to respond to the Covid-19 crisis shows organisational flexibility and the ability to re-orientate focus and resources in light of emerging situations.

**4.4** Despite the pandemic, the Council continued with the procurement to find a development partner to realise its flagship ambition 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/>

**4.5** 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, community infrastructure levy (CIL), planning and building control income.

**4.6** On 16<sup>th</sup> November 2020, Full Council committed £1.5m additional resource to the Golden Valley Development. The proposals within this budget aim to direct additional resources to other strands that will help to deliver the Recovery Strategy and help the Council to meet its ambition of becoming carbon neutral by 2030.

## **Carbon neutrality**

**4.7** CBC's stated ambition to be carbon neutral by 2030 is a credible and commendable plan and the

Council is committed to playing a more central role in developing a carbon reduction plan for the Borough as a whole. There is an opportunity now to draw on the goodwill of stakeholders and provide a strategic overview to ensure that each organisation is making progress at a similar rate and nobody is left behind. The carbon neutral ambition is not something the council can achieve without support and collaborating with its stakeholders.

- 4.8** On the 4th December, a small bid was submitted to the government's [Low Carbon Skills Fund](#) (LCSF). The fund provides financial support to public sector organisations that do not have the internal expertise to develop carbon reduction project opportunities that can be submitted to the [Public Sector Decarbonisation Grant Scheme](#) (PSDS).
- 4.9** The PSDS will be available for capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings, including central government departments and non-departmental public bodies in England only, and will deliver the following objectives:
- Deliver stimulus to the energy efficiency and heat decarbonisation sectors, supporting jobs.
  - Deliver significant carbon savings within the public sector.
- 4.10** The final deadline to apply for the PSDS is Monday 11<sup>th</sup> January 2021.
- 4.11** The initial LCSF bid has been sought for a value of £7,664.33 to pay for technical expertise to develop opportunities that have been identified in recent energy audits undertaken on the council's own assets. The projects identified for development support are:
- Pittville Pump Room – provide a 1MW thermal store to create a hybrid heat source with the aim of phasing the building off gas.
  - Swindon Road Depot – provide a steam based thermal battery to replace gas-fired radiant heaters with fan driven heat exchangers (capable of relocation if moved/refurb)
  - Leisure@ – provide a new pool cover and replace existing gas boiler with CO2 based ground source heat pump, plus installation of thermal and battery storage.
  - Prince of Wales Stadium – provide new low energy stadium lighting and track flood lighting.
  - Across all council built assets – install Sub-Metering Systems and a Building Energy Management System (BeMS) programme to include consolidated dashboard to facilitate effective monitoring and management.
- 4.12** Should the bid to the LCSF be successful, the opportunities identified will look to be developed into viable and robust projects, where an application will then be submitted to the government's PSDS by the deadline of 11<sup>th</sup> January 2021. This fund will enable us to cover the costs of delivering the identified project opportunities.
- 4.13** The scheme allows public sector bodies including eligible central government departments and their non-departmental public bodies in England only to apply for a grant to finance up to 100% of the costs of capital energy-saving projects that meet the scheme criteria – with a requirement to deliver these projects by September 2021, however, priority will be given to those bids that can be delivered by March 2021.
- 4.14** This fund will provide a considerable kick-start to the delivery needed to meet our commitment to the climate emergency and carbon neutrality by 2030, meeting our 'Carbon Neutral Cheltenham' aspirations.
- 4.15** Officers will be seeking to apply to the PSDS for an estimated value of £4 million, should all projects listed be deemed viable under the fund guidelines and objectives. However, if it is likely that only one or two projects become viable, to which a lesser value will be sought.



- 4.16** To deliver on such projects within the time commitment there may be need for the council to employ additional project management resource to support delivery, with the opportunity to explore further employment opportunities within the council to manage and maintain the technologies post installation. The budget proposals therefore provide an additional £75,000 to the base budget to ensure permanent resource is available to lead project delivery.
- 4.17** The District Council's Network (DCN) have been lobbying for District Council's to have greater flexibility to increase council tax by up to £10.00 for the year for a band D property which in Cheltenham's case would generate an additional £214k per annum.
- 4.18** If this were permissible the Cabinet would propose to earmark and ring-fence this additional sum to meeting the Council's stated ambition to be carbon neutral by 2030, and seeks views from the public as part of the budget consultation.

## **Economic Development**

- 4.19** A key priority within our recovery strategy surrounds revitalising and reshaping the economy. The Council aims to encourage collaboration across sectors to ensure that culture, hospitality and creativity is interweaved into our economic recovery plans particularly in enhancing our cyber investment plans, supporting the creative revitalisation of the High Street, and the imaginative use of our open spaces.
- 4.20** Working with partners such as Cheltenham Borough Homes and the Cheltenham Economic Recovery Task Force we aim to regenerate sites within the Borough, including those owned by the Council. The Council intends to provide clear leadership to ensure the future sustainability of the High Street, taking into account reforms to planning.
- 4.21** In order to deliver this commitment, additional dedicated resource is required and the Cabinet's budget proposals therefore provide an additional £75,000 to the base budget to ensure permanent resource is available to lead on recovery.

## **Apprenticeship Programme**

- 4.22** Covid-19 has had a devastating impact on the UK's employment, and with the unfortunate fact that young people have been hardest hit means that we are at risk of losing an entire generation. The Cabinet recognises the importance of apprenticeships in helping the UK economy recover post Covid-19, and this has been acknowledged in the Chancellor's Plan for Jobs, which was announced early July.
- 4.23** Data from the Department of Education reveals that employer vacancies for apprentices in April and May 2020 were 2,020 and 1,850, which compares to 10,400 and 12,580 in the same months of 2019, respectively.
- 4.24** Although this significant 85% drop in apprenticeship vacancies is an exceptionally dismal statistic, it is reassuring that the government is now willing to support apprenticeships and invest sizably to encourage employers to take on more apprentices. This is the optimum time for employers to harness this funding and take on apprentices to further support their individual business, as well as helping the wider Covid-19 economic recovery plan.
- 4.25** The Cabinet is committed to show leadership through investment in the future of apprenticeships and these budget proposals provide an additional £75,000 to the base budget which will provide for a cohort of 4 apprentices who will commence employment at the Council in September 2021.
- 4.26** The list of proposals for growth is included in Appendix 4.

## **5. Treasury Management**

- 5.1 Appendix 2 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 5.2 Investment interest rates will probably remain very low in the medium term until there is more economic certainty following Covid-19 and Brexit. Returns from traditional fixed term cash deposits are minimal so growth has been achieved through alternative investment sources such as investment in property assets and multi-asset funds which include exposure to the bond and equity markets.

## **6. Reserves**

- 6.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This review forms part of the formal budget setting report to be presented to Council in February 2021. A projection of the level of reserves to be held at 31<sup>st</sup> March 2021 and 31<sup>st</sup> March 2022 respectively is detailed in Appendix 5.
- 6.2 The Cabinet is proactive in strengthening reserves when appropriate and necessary through the use of underspends and one-off income. It is therefore recommended that any future underspends or fortuitous windfalls are earmarked for transfer to either general balances or the budget strategy (support) reserve.

## **7. Capital Programme**

- 7.1 The interim capital programme for the period 2020/21 to 2022/23 is set out at Appendix 6.
- 7.2 The strategy for the use of the council's capital resources is led by our corporate priorities. The existing programme includes sums for infrastructure investment to be funded from capital receipts and the purchase of new vehicles through Ubico. It also includes the allocations agreed by the Council to provide an earmarked contribution to public realm works within the Town Centre.
- 7.3 In addition the capital programme sets aside an allocation for enhancing our property portfolio with the aims of delivering economic growth and regeneration.

## **8. Property Maintenance Programme**

- 8.1 The interim budget proposals include the 2021/22 property maintenance programme, which will be reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £600k to planned maintenance, as detailed in Appendix 7.

## **9. Reasons for recommendations**

- 9.1 As outlined in the report.

## **10. Alternative options considered**

- 10.1 The Cabinet has considered many alternatives in arriving at the interim budget proposals. Opposition groups will be able to suggest alternative budget proposals for consideration by Council in February 2021.

## 11. Consultation and feedback

- 11.1** The formal budget consultation on the detailed interim budget proposals will be over the period 23<sup>rd</sup> December 2020 to 27<sup>th</sup> January 2021. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Recovery Strategy and Corporate Plan and how they can be financed. The Budget Scrutiny Working Group and Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for January 2021 and any comments will be fed back to the Cabinet.
- 11.2** Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to allow consideration of their full implications and to enable them to be built into the budget.
- 11.3** All comments relating to the initial budget proposals should be returned to the Executive Director Finance and Assets (Section 151 Officer) by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Comments can be e-mailed to [moneymatters@cheltenham.gov.uk](mailto:moneymatters@cheltenham.gov.uk).
- 11.4** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Executive Director Finance and Assets (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is captured.
- 11.5** Given the financial pressures and the potentially very difficult decisions which will have to be made, it is important that there is time for members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

## 12. Performance management – monitoring and review

- 12.1** The scale of future budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from the delivery of services to the delivery of savings. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised. It is intended that this will be evidenced further in the publication of the MTFS in February 2021.
- 12.2** The delivery of the savings work streams included in the interim budget proposals, if approved by full Council will be monitored by the Budget Scrutiny Working Group.

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<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Summary net budget requirement</li> <li>3. Budget Savings / Additional Income</li> <li>4. Growth</li> <li>5. Projection of reserves</li> <li>6. Capital programme</li> <li>7. Programmed Maintenance programme</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. Covid-19 recovery revised budget 2020/21 report to Council 16<sup>th</sup> November 2020.</li> </ol>

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	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	Ongoing	ED Finance and Assets	

	loss of major business and the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.							revenues retained by 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	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	Ongoing	ED Finance and Assets	

	discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.							regime including responding to government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.			
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	<p>The Council will continue to lobby for additional resource, as promised by Central Government from the outset of the pandemic.</p> <p>Work programmes are underway to review service provision, capital programmes and rationalisation of assets.</p>	Ongoing	ED Finance and Assets	