

# Cheltenham Borough Council

Cabinet – 16<sup>th</sup> February 2021

Council – 22<sup>nd</sup> February 2021

## General Fund Revenue and Capital – Revised Budget 2020/21, and Final Budget Proposals 2021/22

<b>Accountable member</b>	<b>Cabinet Member for Finance and Assets, Councillor Steve Jordan</b>
<b>Accountable officer</b>	<b>Executive Director Finance and Assets (Section 151 Officer), Paul Jones</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 summarises the revised budget for 2020/21 and the Cabinet's final budget proposals and pay policy statement for 2021/22.</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 16th 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>	<p><b>Cabinet / Council</b></p> <ol style="list-style-type: none"><li><b>1. Approve the revised budget for 2020/21.</b></li><li><b>2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.</b></li><li><b>3. Approve the final budget proposals 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</b></li></ol>

property (an increase of 2.34% or £5.00 a year for a Band D property), as detailed in paragraphs 4.17 to 4.22.

4. Approve the growth proposals at Appendix 4 and outlined in Section 6.
5. Approve the savings / additional income totalling £400,000 and the budget strategy at Appendix 5.
6. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 6.
7. Approve the capital programme at Appendix 7.
8. Approve the programmed maintenance programme at Appendix 8.
9. Approve the flexible use of capital receipts strategy as detailed in Appendix 9.
10. Note that the Council will remain in the Gloucestershire business rates pool for 2021/22 (paragraphs 4.6 to 4.16).
11. Approve the Medium Term Financial Strategy (MTFS) detailed in Section 5 and Appendix 10.
12. Approve the Pay Policy Statement for 2021/22, including the continued payment of a living wage supplement at Appendix 11.
13. Approve a level of supplementary estimate of £100,000 for 2021/22 as outlined in Section 14.

**Financial implications**

As contained in the report and appendices.

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<p><b>Legal implications</b></p>	<p>The budget setting process must follow the Council's Budget and Policy Framework Rules.</p> <p>Members are not generally regarded as having a personal or prejudicial interest in the setting of the council budget and council tax. However, any member who is in arrears of council tax needs to give careful consideration to the provisions of section 106 of the Local Government Finance Act 1992. This states that if any arrears remain unpaid for at least two months then the member must disclose this at the beginning of the meeting, which is to consider the council tax calculation and shall not vote on the matter. It is a criminal offence to disregard this requirement. Any member likely to be in such a position should seek advice as quickly as possible from the Monitoring Officer.</p> <p>There is a legal requirement under the Local Government Finance Act 1992, sections 31A and 42A to set a balanced budget. The budget proposals include budgets for expenditure and income and use reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure in accordance with the Medium Term Financial Strategy.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements.</p> <p>The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above specific levels. The relevant basic amount of council tax in 2021/22 will require a referendum if it is both:-</p> <ul style="list-style-type: none"> <li>a) 2%, or more than 2%, above its 2020/21 level; and</li> <li>b) more than £5 above its 2020/21 level.</li> </ul> <p>This means that a shire district authority will need to exceed both the percentage and cash referendum thresholds in order to be subject to a referendum; exceeding one principle but not the other would not require a referendum.</p> <p>Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.</p> <p>By approving the budgets for the capital programme, cabinet are making key decisions as to the use of the budget. Consequently, the acceptance of tenders in excess of £100,000 by the lead member (or officers if authorised under the constitution) for contracts required to deliver works, services and supplies under the approved budget headings, will not be key decisions.</p> <p>In accordance with the Council's approved Investment Strategy, the Council is able to lend money to support local public services and stimulate local economic growth. These include loans to organisations and residents within the Borough which support the priorities of the Council.</p> <p><b>Contact officer: One Legal – <a href="mailto:legal.services@tewkesbury.gov.uk">legal.services@tewkesbury.gov.uk</a> Tel no: 01684 272012</b></p>
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<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>Contact officer: Julie McCarthy julie.mccarthy@publicagroup.uk Tel no: 01242 264355</p>
<b>Key risks</b>	As outlined in Appendix 1
<b>Corporate and community plan Implications</b>	The aim of the budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Business Plan whilst recognising the reduction in Government funding.
<b>Environmental and climate change implications</b>	The final budget contains a number of proposals for improving the local environment, as set out in this report.

The Council takes its statutory duties to promote equality of opportunity seriously. The 2010 Equality Act sets out that we must have due regard to the need to advance equality of opportunity between people who share a protected characteristic and those who do not. The groups that share a protected characteristic include those defined by age, ethnicity, disability, religion or belief and sexual orientation.

The Cabinet Member Finance and Assets and the Executive Director Finance and Assets have been mindful of this statutory duty in how the budget proposals have been prepared. The community and equality impacts of the various budget proposals are as follows:

Budget Proposal (excerpt from appendix 5)	Potential community and equality impacts and any mitigating actions
<b>2. People and Change</b>	
Modernisation programme	It is suggested that an equalities impact assessment is carried out on parts of the modernisation programme that will directly impact on staff and/or customers to ensure that individuals with protected characteristics are not in any way disadvantaged by the proposals. The EQIA will then be reported to the modernisation programme board
<b>3. Finance and Assets</b>	
Municipal offices - Letting of surplus office accommodation space	None identified
LGPS revaluation savings	None identified

## 1. Background

- 1.1 In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the

financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2021. The consultation took place between the period 23<sup>rd</sup> December 2020 to 27<sup>th</sup> January 2021 and this report sets out the final 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. Budget Assessment of the Section 151 Officer**

- 2.1 Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on Housing Revenue Account to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.
- 2.2 The Section 151 Officer is satisfied that the proposed budget for 2021/22 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2021/22. The full assessment is attached at Appendix 2.

## **3. 2020/21 Budget Monitoring to December 2020**

- 3.1 The budget monitoring report to the end of December 2020, also considered by Cabinet on 16<sup>th</sup> February 2021, indicates that despite a number of variances to the budget it still anticipates the delivery of services within budget in 2020/21.

## **4. Settlement Funding Assessment**

- 4.1 The assumptions within these budget proposals are based on the local government 'final' finance settlement for 2021/22 which was released by MHCLG on 4<sup>th</sup> February 2021 and approved on 10<sup>th</sup> February 2021.
- 4.2 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 provisionally set at £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.

**4.3** In addition to the above, the 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 £121,000.

**4.4** 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.

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

## **Business Rates Retention (BRR)**

- 4.6** In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of the risks and rewards and agreement of satisfactory governance arrangements.
- 4.7** Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 4.8** 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.
- 4.9** The anticipated level of business rates due to this Council in 2021/22, despite the severe impact of the Covid-19 pandemic (particularly in 2020/21 - see below), remains above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.
- 4.10** 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 central government, which will be distributed in accordance with the governance arrangements.
- 4.11** One of the key documents in the budget setting process is the estimate of business rates yield, reported on the National Non Domestic Rates return (NNDR1), which is submitted to the MHCLG. The NNDR1 return was submitted to the MHCLG by the deadline of 31<sup>st</sup> January 2021 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and, despite the severe impact of Covid-19, the estimated net surplus from retained business rates against the baseline funding position in 2020/21 is £4,271 (revised estimate) and in 2021/22 £1,184,585.
- 4.12** The impact of the Covid-19 pandemic on the business rates collectable in 2020/21 is severe, however its impact on the council's retained NDR income is more limited due to high levels of central government support.
- 4.13** In 2020/21 the government is supporting the council in three ways:
- by compensating it fully for its 40% share of the additional business rate reliefs awarded by the government to Retail businesses during 2020/21 (this amounts to an estimated £13.4 million in additional Section 31 grant)
  - by allowing it to spread the estimated losses arising from other changes (rateable valuation reductions, increased unoccupied relief and write-offs, etc.) over three years (normally these impact fully in the following year)
  - by providing a further grant (the Local Income Tax Guarantee Scheme) to compensate the authority for up to 75% of the losses arising from the other changes in 2020/21. Although the full details of this grant are yet to be finalised, on the basis of current announcements the scheme compensates the authority for a large proportion of losses due to temporary valuation reductions (resulting from for example 'material changes in circumstances'), and the need to significantly increase provisions against higher levels of uncollectable debts and appeals.
- 4.14** Due to the expected receipt of the grants in 2020/21 but the need to spread the losses over the next three years, it is proposed to transfer the additional income receivable in 2020/21 to the Business Rates Retention Reserve, for use in future years to compensate for the impact of the increased losses (deficits) in those years. This is shown in the table below.
- 4.15** Although there is likely to be some impact of the pandemic on business rates income in 2021/22,



in the absence of indications of whether further government support will be available for that year, the impact is currently assumed to be more limited than in 2020/21. If losses are more severe than currently estimated, it is likely (and anticipated) that further government support will be forthcoming.

**4.16** A request from Government to delay billing until after the budget being held on 3<sup>rd</sup> March 2021, raises the prospect of further, more targeted changes for business rates in 2021/22.

	<b>2020/21 Original 50% system £</b>	<b>2020/21 Revised 50% system £</b>	<b>2021/22 Original 50% system £</b>
Retained business rates	22,546,722	7,496,004	21,944,973
Tariff payable to government	(19,244,897)	(19,244,897)	(19,244,897)
Grant to compensate for government decisions	1,813,252	14,658,481	1,417,489
Estimated levy payable to government after Pool surplus	(395,374)	(63,874)	(91,537)
<b>Net retained business rates</b>	<b>4,719,703</b>	<b>2,845,714</b>	<b>4,026,028</b>
Less Baseline Funding (target level of net retained rates)	(2,841,443)	(2,841,443)	(2,841,443)
<b>Net surplus on business rates against baseline funding</b>	<b>1,878,260</b>	<b>4,271</b>	<b>1,184,585</b>
Deficit adjustment re 2018/19	(423,557)	(423,557)	-
Deficit adjustment re 2019/20	(153,395)	(153,395)	(128,170)
Deficit adjustment re 2020/21	-	15,050,718	(13,966,426)
<b>One-off adjustments re previous years' deficits</b>	<b>(576,952)</b>	<b>14,473,766</b>	<b>(14,094,596)</b>
<b>Net retained business rates (after one-off deficit adjustments)</b>	<b>4,142,751</b>	<b>17,319,480</b>	<b>(10,068,568)</b>
Local Tax Income Guarantee Scheme (Government Grant)	-	1,171,922	-
Transfer (to) / from BRR earmarked reserve	-	(14,417,826)	13,810,279
<b>Net retained business rates</b>	<b>4,142,751</b>	<b>4,073,576</b>	<b>3,741,711</b>

## **Council Tax**

- 4.17** Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax increases is proposed at 1.99 per cent for all local authorities in 2021/22. However, shire districts will be allowed increases of up to and including £5, or up to 1.99 per cent, whichever is higher.
- 4.18** With increased pressure to deliver services with reducing government support, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 4.19** The taxbase has decreased by 0.40% in 2021/22 which reflects an increase in the number of recipients claiming Local Council Tax Support (LCTS) as a result of the economic conditions in 2021/22 and a slowdown in housing supply as a result of Covid-19. This has resulted in a reduction of income from Council Tax of £114,776 from that estimated 12 months ago, which has been offset in 2021/22 through an LCTS Section 31 grant.
- 4.20** With this in mind, the Cabinet has had to consider what level of increase in council tax is sustainable, without creating an increased risk of service cuts and/or larger tax increases in the future.
- 4.21** The uncertainty surrounding the fair funding review, the business rates reset and the future of New Homes Bonus post 2022, places a greater reliance on council tax as our main source of income.
- 4.22** Therefore, 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.

## **Collection Fund**

- 4.23** In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund deficit for 2020/21 is £23,400 which will be debited to the General Fund in 2021/22.
- 4.24** The Collection Fund deficit is not passed on to the Parish Councils but is shared proportionately by the three major preceptors.

## **5. The Cabinet's general approach to the 2021/22 budget**

- 5.1** 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.
- 5.2** The key mechanism for carrying out this strategy is the commercial strategy, which seeks to bring service costs in line with available funding and seek additional forms of funding.
- 5.3** The commercial strategy was adopted by Full Council in February 2018 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".
- 5.4** Part of our drive towards financial sustainability includes identifying new opportunities to

generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation. We will work with partners who share our ambition and values and will continue to put the best interests of Cheltenham residents at the heart of everything we do.

**5.5** The 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.

**5.6** 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.

**5.7** 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 and the detailed Medium Term Financial Strategy is at Appendix 10.

**5.8** The starting point for constructing the 2021/22 budget has been a projected funding surplus of £0.543m. 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.

**5.9** 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, with an additional 1% held in contingency;
- 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.

## **6. Growth Proposals**

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

- 6.2** 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.
- 6.3** 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.
- 6.4** 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/>
- 6.5** 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.
- 6.6** 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**

- 6.7** 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.
- 6.8** The Council submitted a bid to the [Public Sector Decarbonisation Grant Scheme](#) (PSDS) to the value of £382,600.00 for a Building Energy Management System which was successfully approved on 9<sup>th</sup> February 2021.
- 6.9** Sub-Metering Systems and a Building Energy Management System (BEMS) could realistically reduce energy costs by 20-25% across each of CBC's built assets. Executing an enterprise-wide carbon reduction plan and delivering net zero for infrastructure energy emissions will be underpinned by data analysis, both to inform interventions and to measure progress against milestones and KPIs. Such analytics will be provided by a specialist Utility Management Bureau (UMB).
- 6.10** The Council has publicly committed to reducing weed spraying and supporting biodiversity. At the climate change conference last month, one of the topics for debate was biodiversity and, as we all know, there is growing support for this. There are growing concerns about the risks to human health from unrestricted use of glyphosate as an herbicide.
- 6.11** Whilst recognising that weeds are just plants in the wrong place and much can be done to

change perceptions, weeds that grow large in paved areas are a problem in terms of the damage they do to surfaces. It is important to also recognise the link with weather patterns on leaf fall and heavy rain which contributes significantly to detritus and debris in gullies and at kerbside which contributes to blocked drains and minor localised flooding but does allow more weed growth. Whilst mechanical sweepers help along with joint drain and gulley clearances with Gloucestershire County Council highways, frequently the only solution is manual clearance in a growing number of places.

- 6.12** To support biodiversity and the climate emergency the authority planned to stop weed spraying and move to more environmentally friendly, albeit more manual methods of weed control. COVID-19 and the weather conditions in 2020 created additional challenges to this approach. Following trials of hot foam, electricity and other alternatives to weed spraying which weren't that successful, Ubico have delivered more manual methods of weed control, within existing resources, this year. Ubico have trialled manual weed rippers, hoeing, weed ripper brushes on a hired in pavement sweeper and greater use of the jet washer in the town centre. It should be noted that reduced footfall on paved areas due to COVID-19 lockdowns and restrictions along with the differing weather patterns experienced now have worsened weed growth during 2020/21
- 6.13** Cabinet approved an updated environmental services policy in October 2020 which set out how the authority would deal with weed control moving forward and it did highlight that more manual weed control methods were likely to be more expensive. Within the financial year 2020/21 this was achieved within available resources by utilising grounds maintenance underspends within the Ubico contract sum. There is no provision within the Ubico contract sum for 2021/22 to continue the weed control activity that has been required in response to complaints from members, businesses and residents received during 2020/21.
- 6.14** The proposals within this growth proposal is for a 50% reduction in weed spraying by doing 1 targeted weed spray at the end of May 2021 to ensure we minimise the requirements for manual weed removal and damage to surfaces from large weeds. The Ubico contract sum for 2021/22 has £17,500 built in for carrying on weed spraying. An increase in the contract sum of £21,000 for 2021/22 will support biodiversity as articulated above.
- 6.15** To deliver on such projects and to deliver the Council's ambition to become carbon neutral by 2030 the budget proposals provide an additional £75,000 to the base budget to ensure permanent resource is available to lead project delivery.

## **Economic Development**

- 6.16** 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.
- 6.17** 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.
- 6.18** 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**

- 6.19** 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.

- 6.20 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.
- 6.21 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.
- 6.22 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.
- 6.23 The list of proposals for growth is included in Appendix 4.

## **7. Treasury Management**

- 7.1 Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 7.2 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.

## **8. Reserves**

- 8.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This assessment is included within Appendix 2.
- 8.2 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.
- 8.3 A projection of the level of reserves to be held at 31st March 2021 and 31st March 2022 respectively is detailed in Appendix 6.

## **9. Capital Programme**

- 9.1 The proposed capital programme for the period 2020/21 to 2022/23 is at Appendix 7.
- 9.2 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, investment at West Cheltenham and Gloucestershire Airport, investment to facilitate the Council's ambition to become carbon neutral by 2030 as well as delivering on our commitment

to provide more housing in the Borough.

## **10. Property Maintenance Programmes**

- 10.1** The budget proposals include the 2021/22 property maintenance programme, which has been reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £474k to planned maintenance.

## **11. Pay Policy Statement**

- 11.1** Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.
- 11.2** The Pay Policy attached at Appendix 11 includes the following key requirements of the Localism Act 2011:
- policy on pay for each of the 'in scope' Officers;
  - policy on the relationship between Chief Officers and other Officers;
  - policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

## **12. Reasons for recommendations**

- 12.1** As outlined in the report.

## **13. Consultation and feedback**

- 13.1** The formal budget consultation on the detailed interim budget proposals took place over the period 23<sup>rd</sup> December 2020 to 27<sup>th</sup> January 2021. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience, predominately through its social media channels. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals.
- 13.2** 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 14<sup>th</sup> January 2021 and comments have been fed back to the Overview and Scrutiny Committee and the Cabinet.
- 13.3** Formal meetings to discuss the budget were also held with C5 Parish Council's and the Voluntary and Community Sector (CVS). Specific responses to the budget proposals with responses from the Cabinet are provided at Appendix 12.

## **14. Supplementary Estimates**

- 14.1** Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total

budget provision of £100,000 for supplementary estimates in 2021/22 to be met from the General Reserve, the same level as in 2020/21.

## **15. Alternative budget proposals**

- 15.1** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Executive Director Finance and Assets (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed changes are properly captured.
- 15.2** It is also important that there is time for Members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

## **16. Final budget proposals and Council approval**

- 16.1** The Cabinet has presented firm budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.
- 16.2** If it accepts the recommendation of the Cabinet, without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.
- 16.3** An in-principle decision will automatically become effective 5 working days from the date of the Council's decision, unless the Leader informs the Executive Director Finance and Assets in writing within 5 working days that she objects to the decision becoming effective and provides reasons why. It should be noted that a delay in approving the budget may lead to a delay in council tax billing with consequential financial implications.
- 16.4** In that case, another Council meeting will be called within 7 working days of the date of appeal when the Council will be required to re-consider its decision and the Leader's written submission. The Council may (i) approve the Cabinet's recommendation by a simple majority of votes cast at the meeting or (ii) approve a different decision which does not accord with the recommendation of the Cabinet by a majority. The decision will then become effective immediately.

## **17. Performance management – monitoring and review**

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



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<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Section 151 Officer budget assessment</li> <li>3. Summary net budget requirement</li> <li>4. Growth</li> <li>5. Savings / additional income</li> <li>6. Projection of reserves</li> <li>7. Capital programme</li> <li>8. Programmed Maintenance programme</li> <li>9. Flexible use of Capital Receipts Strategy 2021/22</li> <li>10. Medium Term Financial Strategy (MTFS)</li> <li>11. Pay Policy Statement</li> <li>12. Budget Consultation</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. Covid-19 recovery revised budget 2020/21 (Council 16<sup>th</sup> November 2020)</li> <li>2. General Fund Revenue and Capital – Interim Budget Proposals 2021/22 (Cabinet 22<sup>nd</sup> December 2020)</li> <li>3. Budget Monitoring Report 2020/21 position as at December 2020 (Cabinet 16<sup>th</sup> February 2021)</li> </ol> <p><a href="https://questions-statements.parliament.uk/written-statements/detail/2021-02-04/hcws764">https://questions-statements.parliament.uk/written-statements/detail/2021-02-04/hcws764</a></p> <p><a href="https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2021-to-2022">https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2021-to-2022</a></p> <p><a href="https://www.gov.uk/government/publications/final-local-government-finance-report-2021-to-2022">https://www.gov.uk/government/publications/final-local-government-finance-report-2021-to-2022</a></p>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
CR3	If the Council is unable to come up with long term solutions which close the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	01/09/2010	5	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	3	15	Reduce	The MTFS is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 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	