

Cheltenham Borough Council
Cabinet – 21 December 2021
General Fund Revenue and Capital - Interim Budget Proposals
2022/23 for Consultation

Accountable member	Cabinet Member for Finance and Assets, Councillor Peter Jeffries
Accountable officer	Gemma Bell, Head of Property, Finance and Assets (Deputy s151 Officer)
Accountable scrutiny committee	Overview and Scrutiny Committee and Budget Scrutiny Working Group
Ward(s) affected	All
Key Decision	Yes
Executive summary	<p>This report sets out the Cabinet’s interim budget proposals for 2022/23 for consultation. The assumptions within the interim budget proposals are based on the local government provisional finance settlement for 2022/23 which was released by the Department for Levelling Up, Housing and Communities (DLUHC) on 16 December 2021.</p> <p>The Council have faced unprecedented financial challenges over the last 18 months in providing the resources and support to manage the response to the Covid-19 pandemic. This is in addition to the ten years of austerity and year on year cuts to the Council’s Government funding.</p> <p>The national restrictions which have been in place, either across the country or locally here in Cheltenham have created a huge amount of financial uncertainty. With the emergence of the Omicron variant, the uncertainty continues to impact customer behaviour which may have further financial impact on our commercial income and on the town’s economy. What is clear is that the recovery of our town from the pandemic has only just begun.</p> <p>The budget proposals aim to utilise our assets, skills and infrastructure to enable inclusive and environmentally sustainable growth in the Borough whilst providing a mechanism to ensure the Council has the revenue resources to continue to lead the recovery from Covid-19.</p> <p>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 the Covid-19 recovery revised budget 2020/21, agreed by Full Council on 16 November 2020. The recommendations within this report aim to ensure a balanced budget is delivered in 2022/23, that sufficient revenue resources are transferred to reserves to provide a cushion to combat longer term uncertainty and that appropriate resources continue to be directed towards our key priorities.</p>
Recommendations	<ol style="list-style-type: none"> 1. Approve the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council. The proposed Council tax for 2022/23 represents an increase of 2.28% or £5.00 a year for a

Band D property. Note the detailed schedule of target savings at Appendix 3.

- 2. Approve the proposed capital programme at Appendix 5, as outlined in Section 8.**
- 3. 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.**
- 4. Seek consultation responses by 26 January 2022**

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Gemma Bell</p> <p>E-mail: gemma.bell@cheltenham.gov.uk</p> <p>Tel no: 01242 264124</p>
Legal implications	<p>Under the Constitution Cabinet has responsibility for the preparation and consultation on the Council's budget. The final budget will be subject to consideration and approval by Full Council in February.</p> <p>The Council must set a budget in accordance with provisions of the Local Government Finance Act 1992. The Council has a statutory responsibility to set and approve a balanced budget each year. Section 25 of the Local Government Act 2003 require that the Council, in setting its budget, must have regard to the report of its Section 151 Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of its proposed financial reserves.</p> <p>Contact officer: One Legal</p> <p>E-mail: legalservices@onelegal.org.uk</p> <p>Tel no: 01684 272012</p>
HR implications (including learning and organisational development)	<p>Relationships with the two recognised trade unions continue to remain very positive. The Executive Leadership Team and the HR team will continue to work closely with TU colleagues in order to ensure that any potential impact on employees as a result of realisation of budget savings are kept to a minimum.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@publicagroup.uk</p> <p>Tel no: 01242 264355</p>
Key risks	As outlined in Appendix 1
Corporate and community plan Implications	The aim of the interim budget proposals is to direct resources towards the key priorities identified in the Council's Corporate Plan whilst recognising the financial pressures caused by the response and recovery from the COVID-19 pandemic.
Environmental and climate change implications	The draft budget contains a number of proposals for improving the local environment, as set out in this report.
Property/Asset Implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Gemma Bell</p> <p>E-mail: gemma.bell@cheltenham.gov.uk</p> <p>Tel no: 01242 264124</p>

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 2022. This report sets out the interim proposals for 2022/23.
- 1.2 In 2016/17, the government offered a guaranteed four year budget to every Council, which could demonstrate efficiency savings and 2019/20 represented the final year of the four year offer. The principles of that settlement allowed authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Since then, only one year settlements have been provided to Local Authorities which has made long term financial planning very difficult. Since 2016/17, there has been a shift away from freezing council tax to using council tax to generate additional funding.
- 1.3 The Budget and Spending Review 2021 was announced by the Chancellor on 27 October 2021. The key headlines from the announcement were:
 - The announcement was expected to cover three years from 2022/23 to 2024/25 which provides more certainty to support longer term financial planning.
 - An indication that additional grant funding will be available and is expected to be front-loaded, with growth in grant funding of £1.5bn in 2022/23, and no further general increases in funding in either 2023/24 or 2024/25.
 - Council tax thresholds to remain at similar levels to recent years, with the threshold for "core" council tax increases remaining at 1.99% (shire district councils will be able to increase Band D by the higher of 1.99% or £5) and the adult social care precept by a further 1%.
 - There were no announcement about local government funding reforms (Fair Funding Review or business rates changes).
 - No reference was made to the New Homes Bonus which made up £747k of our funding in 2021/22.
 - No reference was made to the business rates baseline reset or any of the other business rates reforms. Given that pilots will be continuing until 2024-25, this suggests that the baseline reset will also be delayed.
 - No new funding has been announced for any additional COVID-19 pressures in local government.

2. Settlement Funding Assessment

- 2.1 The assumptions within the interim budget proposals is based on the local government provisional finance settlement for 2022/23, which was released by DLUHC on 16 December 2021.
- 2.2 The headlines from the local government provisional finance settlement for 2022/23 were:
 - The announcement of a three year settlement has now been reduced to one year only for 2022/23.
 - Priority in the settlement is "stability in the immediate term", with a more fundamental review of local government funding starting in 2022.
 - Overall Core Spending Power (CSP) increases by over 4% in real terms (£3.5bn cash), including funding for social care reform and cap compensation.
 - The 2022/23 settlement rolls forward many aspects of the current year's settlement.

- There is another additional New Homes Bonus payment (Year 12, £407,267), on top of the final “legacy” payment of £230,579.
- A continuation of the Lower Tier Services Grant (LTSG) which ensures that no authority will have a reduction in Core Spending Power in 2022/23. Cheltenham will receive £127,459 in 2022/23.
- A new one-off 2022/23 Services Grant has been created to fund general responsibilities (2013/14 SFA is used to distribute funding). Cheltenham will receive £195,881 in 2022/23. Government have made it clear that this is a one-off grant in 2022/23 and will not be included in the baseline that is used for transitional support (damping) in 2023/24:
- The council tax referendum thresholds for Cheltenham remain unchanged.
- Of the £1.5bn made available, £70m will be used to apply inflation to Revenue Support Grant (RSG), £636m for additional social care grants, and £822m for the new Services Grant
- Funding for the social care reforms (£162m in 2022/23) will use the existing Adult Relative Needs Formulae (RNF), and is for the Fair Pricing reforms (more detail is provided in the social care written statement).
- Compensation for under-indexing the multiplier (which will be frozen in 2022/23) is based on the Consumer Price Index (CPI) but will use Retail Price Index (RPI) in the final settlement (which will result in about £225m additional funding).

2.3 Ministers will be re-starting the local government funding reforms in the spring 2022. This means that the Fair Funding Review and business rates baseline reset are both going to be under consideration again, for possible implementation in 2023/24. This increases the urgency of the re-alignment of our budgets to ensure any changes to our baseline funding for next year can be managed more effectively.

Retained Business Rates

2.4 In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements.

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

2.6 The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.

2.7 The anticipated level of business rates due to this Council in 2022/23 is above our target level of funding and in line with the Government requirements of the Pool; we will still be required to pay a levy on the amount we raise above this level.

2.8 The post-pandemic economic recovery of the town is being monitored closely by the Leadership team and has been supported by the targeted use of the business support grant funding provided by the Government through the pandemic. The focused funding of specific sectors and provision of financial support has enabled businesses to adapt the way they operate through national restrictions and mitigate the long-term economic impact of the pandemic on the town.

2.9 The resilience of these businesses, and the opening and anticipated opening of new retail, entertainment and hospitality offerings in the later part of 2021/22 and into 2022/23 have all contributed to expected levels of business rate funding above our baseline funding target.

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 2022/23 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 2022/23. However, shire districts will be allowed increases of up to and including £5, or up to 1.99 per cent, whichever is higher.
- 2.12** With increased pressures caused by the pandemic and the recent increase in inflation and other operational costs, it continues to be difficult to deliver current levels of services when government support does not cover all additional costs we expect to incur. To this end, 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 increased by 1.0% in 2021/22 against the target increase of 0.8%. This increase primarily arises from a reduction in claimants of LCTS in the past six months and again indicates that our communities and our economy are beginning to recover from the pandemic.
- 2.14** 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 timing of the fair funding review, business rates and the indications that any new increases in funding in 2022/23 will stay static for the three year settlement period continues to place significant reliance on council tax as our main source of income.
- 2.16** Therefore, at this stage the Cabinet is proposing a 2.28% increase in council tax in 2022/23; an increase of £5.00 for the year for a Band D property.

Collection Fund

- 2.17** Under normal circumstances, collection fund surpluses arise from higher than anticipated rates of collection of council tax (for example due to additional new build properties becoming chargeable). At this point in time, it is anticipated that there will be a surplus on the collection fund in 2021/22, primarily arising from an increase in the tax base compared to that estimated in setting the budget in February 2021. Surpluses and deficits are normally shared out between the Council, County and Police and Crime Commissioner in the following year.
- 2.18** A deficit on the Collection Fund was reported in 2020/21 and the Government announcement in July 2020, in response to the financial pressures faced by Local Authorities as a result of the pandemic, confirmed that the repayment of any deficits could be spread over three years.
- 2.19** As a result, the council's share of the deficit of £27k for 2020/21 will be spread over three years: £9k in 2021/22, 2022/23 and 2023/24. However, in 2022/23 the Council will also receive a share of the estimated surplus for 2021/22 of £71k and a share of the difference between the estimated and actual deficit for 2020/21 of £4k, resulting in a net surplus of £58k. Again, evidence supporting the economic recovery of our town post pandemic as new businesses open and empty premises become occupied again.

3. The Cabinet's budget strategy

- 3.1** The Council have faced unprecedented financial challenges over the last 18 months in providing the resources and support to manage the response to the Covid-19 pandemic. This is in addition to the ten years of austerity and year on year cuts to the Council's Government funding.
- 3.2** The national restrictions which have been in place, across the country or locally here in

Cheltenham, have created a huge amount of financial uncertainty. With the emergence of the Omicron variant, the uncertainty continues to impact customer behaviour which may have further financial impact on our commercial income and on the town's economy.

- 3.3** Changes to customer behaviour and the way our services are accessed has changed with no certainty as to whether this will be permanent or temporary and what this means for how we fund and operate our services. It also means we need to continue investing in technology, in particular the digital platform to meet the changing requirements of our residents and service users.
- 3.4** Since its adoption in 2018 the key mechanism driving our response to funding challenges has been the commercial strategy. This has driven an innovative and enterprising mind-set and we have adapted to generate income in different ways to support our general fund budget and deliver against our Corporate Priorities.
- 3.5** Recovery from the pandemic and re-opening of the town has meant the contribution of some of these initiatives are providing to the general fund may now be permanently lower than we had assumed in previous budgets. The budget monitoring report presented to Cabinet in October 2021 reported a forecast net overspend against the budget of £1,044,000 for 2021/22. The most significant variance from budget was from income generated from off-street car parking which is much lower than previous years as commuters move towards more of a hybrid working from home model.
- 3.6** The 2022/23 budget provides an opportunity to reset our baseline position against our Corporate Priorities and prepare a Medium Term Financial Strategy for 2022/23 and beyond which ensures we continue to be financially sustainable whilst continuing to support economic recovery and growth and our climate change ambitions for the town.
- 3.7** 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 our finite resources is essential to address under-met needs. The detailed schedule of target savings is provided within Appendix 3.
- 3.8** These proposals also take into account the recommendation made by Grant Thornton in the 2020/21 Audit Findings Report to review our Minimum Revenue Provision ("MRP") policy and a recent Government consultation which states that any future changes will not be applied retrospectively. The arrangements for 2021/22 and 2022/23 are being considered but it is not expected that any changes will impact on the delivery of services or savings in this budget proposal.
- 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 2% for 2022/23, with an additional 1% held in contingency;
 - Budgeted for an increase in Members allowances in line with the assumptions on pay inflation outlined above;
 - The provision of support and services to assist our communities, businesses and residents response and recover from the pandemic;
 - An inflationary increase in sales, fees and charges where market conditions dictate;
 - Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Treasury Management Panel.

4. The economic context for 2022/23

- 4.1** The 2022/23 draft budget proposal has been set based on a set off assumptions about the

economic outlook for the next 18 months. Inflation currently sits at 4.2%, the highest level in nearly 40 years, with further uncertainty about whether this will increase further through 2022/23.

- 4.2 From April 2022, the rate of National Insurance contributions employers pay will increase by 1.25%, which adds additional pressure to the staffing costs of the Council. Additionally, the rising price of oil and gas has increased the running cost of our buildings and there is a possibility of significant increases when the current energy contract expires in April 2022.
- 4.3 These economic factors place unprecedented pressures on our budget at a time when we are already facing uncertainty around our funding and the long-term impact of the pandemic on our financial position. Not only do we need to ensure there is sufficient capacity to meet these direct costs for the Council, but we also need to meet the increased costs of our partnership contracts to maintain the sustainable delivery of key services.
- 4.4 Our waste and recycling contract with Ubico in particular is facing increasing fuel costs and the demand for services as our residents increase the volume of waste they are recycling. In addition to the increase in National Insurance, there is also a need to increase the salary cost of the HGV drivers to be more comparable with competitors in the market and ensure they are able to continue to recruit.
- 4.5 The starting point for re-setting the 2022/23 budget is the projected budget gap from the October 2021 monitoring report and taking account the additional pressures expected through 2021/22 and 2022/23 including increases in energy costs, the national pay award and rising inflation.
- 4.6 Closing a gap of this size is a huge challenge for the Council, but the challenge is being met by a proactive approach to reviewing the prioritisation of our resources and identifying budget efficiencies, carried out by the Cabinet and the Executive Leadership Team. This work has already made significant progress towards bridging the gap, having identified at this early stage potential efficiency savings which are moving into a delivery phase.
- 4.7 The proposals within these budget papers 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 continue to lead the recovery from Covid-19.

5. Re-setting for Green and Sustainable Recovery

- 5.1 Cheltenham Borough Council (CBC) was one of, if not the first council to publish a Recovery Strategy in 2020. That early publication and consultation enabled the Council to clearly signal recovery aims and objectives. The economy was, and continues to be in a difficult position nationally and responding dynamically will be key to supporting the rest of the town to recover.
- 5.2 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.
- 5.3 The 2021/22 budget included a number of growth items as a direct response to the Recovery Strategy; providing revenue funding for climate change, economic recovery and the introduction of an apprenticeship programme. Additionally, in November 2020 Council committed £1.5m additional resources to the Golden Valley development to continue to work towards our vision to be the Cyber Capital of the UK.
- 5.4 The 2022/23 budget recognises that a green, sustainable and inclusive path to economic growth and recovery is not a strategy for the short term. Our long-term strategic commitments need long term financial planning.

- 5.5** This budget seeks to reduce our reliance on commercial income streams, which may not support our corporate priorities, and create a new baseline from which investment decisions can be made to support the recovery of our town from the most significant and wide reaching economic and healthcare crisis of a generation. Although we have not included any new growth items in the 2022/23 budget, we have looked differently on how we are utilising the resources at our disposal to increase the impact we can have to drive change and deliver on our Corporate Priorities.

Carbon neutrality

- 5.6** CBC's stated ambition to be net carbon zero by 2030 is a credible and commendable plan and in 2021/22 the Council invested in the creation of a permanent central team to monitor and manage the carbon reduction programme for the Borough as a whole.
- 5.7** One of the most significant achievements of this team to date was a successful bid to the Public Sector Decarbonisation Scheme (PSDS) for £382,600 of capital funding to support key projects. This capital budget now supplements the existing £350,000 of CBC funding already earmarked to support the implementation of the Climate Change Strategy in 2022/23.
- 5.8** The most uncertain financial pressure experienced in 2021/22 as we continue to monitor the recovery from the Covid-19 pandemic is the reduction in the income we are generating from our car parks. In 2019/20 we generated £4.388m from off-street car parking fees which was a significant contributor to the funding of our commitments.
- 5.9** Car parking activity has been closely monitored through 2021/22 as the national restrictions have been eased and there is a notable change in behaviour with fewer commuters travelling into the town during the week. In 2019/20 the average income generated each month from car parking was £370k which comfortably exceeded our budget target. At the date of this report, we are estimating in 2022/23 this will fall to £300k a month. Further uncertainty is also expected in the final quarter of the year with the emergence of the Omicron variant.
- 5.10** Although not a direct investment in carbon neutrality, the Cabinet feel a budgetary commitment to reducing reliance on vehicles which impacts on air quality and the environment of the town centre demonstrates the commitment to the climate emergency pledge made in 2019.
- 5.11** In addition to this, Cabinet have also included a new proposal in the capital programme for £75k to support a pilot scheme for electric vehicle (EV) off-street charging points. This proposal is a response to the Cabinet's commitment to improving air quality in the town and, together with the County Council provision of on-street EV charging points, responds to the increasing use of electric vehicles by visitors and residents of Cheltenham.
- 5.12** The decision by the Cabinet to re-align our budget to reduce our reliance on income from vehicles means a number of other efficiencies and income-generating activities need to be made to balance our budget. In considering these, the Cabinet have kept our net carbon zero target in the front of mind.
- 5.13** The following changes have been proposed to our base budget to re-align resources and deliver a budget which reflects our climate ambitions:
- Further commitment to use the investment fund from 2020/21 to finance initiatives which have a positive impact on the environment;
 - A base budget re-set of car parking income budgets to reduce the Council's reliance on income generated from vehicles;
 - The publication of a £10m climate investment strategy;
 - A reduction in energy usage in Council owned buildings;
 - A reduction in the allowances for using cars to promote greener modes of transport; and
 - A realignment of recycling income and expenditure budgets to meet the increased demand

as residents recycle more waste.

Inclusive and Sustainable Economic Growth and Development

- 5.14** Despite the financial uncertainty caused by the pandemic over the last 18 months, the Council has continued to demonstrate its commitment to make Cheltenham a place where everyone can thrive. In the 2020/21 outturn report presented to Full Council in July 2021, we committed £250k to a Green Economic Recovery and Investment Fund.
- 5.15** It has been proposed that this funds work to improve the greening of the Clarence Fountain, the hosting of the Ice Rink in Imperial Gardens and to improve toilet provision in the town. These initiatives were identified to support the economic recovery of the town – stimulating the visitor economy and improving the environment for everyone to enjoy.
- 5.16** The Council has also 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. Council approval of £1.5m additional resource to the Golden Valley Development in November 2020 further cemented our commitment to this key priority.
- 5.17** There were two base budget increases approved in 2021/22 which also continue to support inclusive growth:
- Council approved the commitment of £75k to the base budget to fund a cohort of five apprentices who commenced employment in September 2021. These individuals have been recruited across different services and have begun their work based learning and qualifications.
 - Council also approved a base budget increase of £75k to fund dedicated resource 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.
- 5.18** The recovery from the pandemic is certainly not complete and continues to be a key priority for the Cabinet. Our recovery strategy is focused on the revitalising and reshaping the economy and ensuring that future growth benefits all our communities. 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 town centre, and the imaginative use of our open spaces.
- 5.19** The opportunity to re-set our budget to meet the needs of the town post pandemic has identified a number of efficiencies and income generating activities which can support sustainable and inclusive growth and economic development.
- 5.20** The following changes have been proposed to our base budget to re-align resources and deliver a budget which benefits all our communities:
- A review of the current functions for Destination Marketing and Management to ensure we are driving maximum benefit for the town from our commercial and non-commercial partnerships; and
 - A review of the resources which can be shared by the Council and Cheltenham Borough Homes to bring Council owned sites forward for development.

6. Treasury Management

- 6.1 Appendix 2 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 6.2 The Bank of England unexpectedly raised interest rates in December 2021, for the first time in three years amid growing concerns over inflation, despite the rapid spread of the coronavirus Omicron variant. The Monetary Policy Committee (MPC) voted by a majority of eight to one to raise rates from the historic low of 0.1% to 0.25%, judging that pressure on households from surging living costs outweighed the risks to the economy from the new variant.
- 6.3 As at 30 September 2021, the Council held loans of £157.139m, a reduction since March 2021 by reducing the amount of temporary borrowing and using cash investments earning very little interest to fund capital spend.
- 6.4 This approach of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, reduces our risk of budgetary pressures caused by significant increases in interest rates.
- 6.5 We also invest to generate returns which support the costs of discretionary services such as leisure and culture. It is critical to get the right balance between social, environmental and financial factors when assessing the investments we make. Full Council noted in November 2021 that our exposure to gas and oil investments currently stands at £280k.
- 6.6 This is part of the Schroder Income Fund and makes up 4% of the £7m we have invested in Pooled Funds. Given our current climate priorities, assurance was provided to Council that we are looking to take steps to ensure our investments are contributing to these goals.
- 6.7 We are committed in the longer term to divesting from oil and gas but need to balance these priorities with ensuring we are making the right financial decisions to safeguard our residents, businesses and communities.
- 6.8 We will continue to closely monitor the performance of this fund and when it is financially prudent to do so, will consider the climate implications of how we invest this money in the future. This will be covered in the 2022/23 Treasury Management Strategy, which will be published in the spring.

7. Reserves

- 7.1 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 2022. A projection of the level of reserves to be held at 31 March 2022 and 31 March 2023 respectively is detailed in Appendix 4.
- 7.2 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 or capital projects.

8. Capital Programme

- 8.1 The interim capital programme for the period 2021/22 to 2023/24 is set out at Appendix 5.
- 8.2 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.

- 8.3** In re-setting the 2022/23 budget, the Cabinet have considered new proposals for electric vehicle charging points and public realm which align to the focus on green and sustainable economic investment in Cheltenham. These reflect the Cabinet's view that CBC are an enabler for economic recovery, making sustainable and financially secure investments to provide benefits for our businesses, residents and communities.
- 8.4** During the 2022/23 financial year, other projects and schemes may come to light which require investment by the Council. These proposals will be considered by the Cabinet and approval will be requested through the relevant channels in line with the Council's Budget and Policy Framework Rules.

9. Property Maintenance Programme

- 9.1** The interim budget proposals include the 2022/23 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 6.

10. Reasons for recommendations

- 10.1** As outlined in the report.

11. Alternative options considered

- 11.1** 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 2022.

12. Consultation and feedback

- 12.1** The formal budget consultation on the detailed interim budget proposals will be over the period 22 December 2021 to 26 January 2022. 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 2022 and any comments will be fed back to the Cabinet.
- 12.2** 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.
- 12.3** All comments relating to the initial budget proposals should be returned to the Head of Property, Finance and Assets (Deputy 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.
- 12.4** It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Head of Property, 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.
- 12.5** 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.

13. Performance management – monitoring and review

13.1 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 2022.

13.2 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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<p>Appendices</p>	<ol style="list-style-type: none"> 1. Risk Assessment 2. Summary net budget requirement 3. Budget Savings / Additional Income 4. Projection of reserves 5. Capital programme 6. Programmed Maintenance programme
<p>Background information</p>	<ol style="list-style-type: none"> 1. Covid-19 recovery revised budget 2020/21 report to Council 16 November 2020. 2. 2021/22 Final Budget Proposal report to Council 16 February 2021 3. The provisional local government finance settlement for 2022/23: https://questions-statements.parliament.uk/written-statements/detail/2021-12-16/hcws510 https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2022-to-2023

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	01/04/2016
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	14/09/12

	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	15/12/10
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	13/12/10

	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		5	3	15	Reduce	The Council will continue to lobby for additional resource, as promised by Central Government from the outset of the pandemic. Work programmes are underway to review service provision, capital programmes and rationalisation of assets.	Ongoing	ED Finance and Assets	To be added to the risk register