

Cheltenham Borough Council

Cabinet – 20 December 2022

General Fund Revenue and Capital – Interim Budget

Proposals 2023/24 for Consultation

Accountable member:

Cllr Peter Jeffries, Cabinet Member for Finance & Assets

Accountable officer:

Gemma Bell, Director of Finance & Assets (Deputy s151 Officer)

Accountable scrutiny committee:

Budget Scrutiny Working Group

Ward(s) affected:

All

Key/Significant Decision:

No

Executive summary:

This report sets out the Cabinet's interim budget proposals for 2023/24 for consultation. The assumptions within the interim budget proposals are based on the information contained within the Local Government Finance Policy Statement 2023/24 to 2024/25 published on 12 December 2022 and the Local Government Provisional Finance Settlement for 2023/24 published on 19 December 2022. Following publication of this report, if there is any additional information or documentation required to support the consultation, this will be made publically available.

The Council have faced unprecedented financial challenges over the last two years in providing the resources and support to manage the response to the Covid-19 pandemic and then rising costs and challenges faced by the cost of living crisis. This is in addition to the ten years of austerity and year on year cuts to the Council's Government funding.

With inflation at a 40 year high and not expected to fall back to pre-pandemic levels for another two years and eight consecutive rises in interest rates since the 2022/23 interim budget proposal was approved by Cabinet in December 2021, these continue to be some of the most challenging

times for Local Authorities.

This Council was one of, if not the first council to publish a Recovery Strategy in 2020 in the middle of a global pandemic. That early publication and consultation enabled the Council to clearly signal recovery aims and objectives. The economy was, and continues to be in an extremely difficult position nationally and responding dynamically was seen as the best way to support the rest of the town to recover.

Section 114 (1) of the Local Government Finance Act 1988 places a duty on the Section 151 Officer to inform the authority where they believe that the authority's expenditure is likely to exceed available resources. A Section 114 Notice normally results in an immediate and severe curtailing of activity to the provision of non-statutory services.

News from Councils across the country tell of local authorities who are continuing to struggle to balance the books and warn of the possibility of issuing section 114 notices without further financial support from Central Government. In many cases this has already happened.

The financial strategies implemented by this Council since November 2020 to refresh the commercial strategy, review asset management and invest in growth have so far meant the Council have not needed to pursue this course of action. In the recent budget monitoring report presented to Cabinet in November 2022, the forecast overspend against the 2022/23 budget was £2.39m. Of this figure, £1.985m related to pressures resulting from interest rate rises, inflation, the cost of energy and the subsequent pay award for Council officers and other contracted staff.

Although work is ongoing to mitigate these pressures and generate value elsewhere, there are areas such as the pay award where this is obviously not possible. The Council are in a favourable position where there is sufficient general balances available to manage these pressures in 2022/23, but given the finite nature of these reserves this is not a long term strategy.

The Council still face a challenging economic environment which is set to continue. This interim budget for 2023/24 requires a renewed commitment to delivering efficiencies, savings and maximising income streams to support the ongoing delivery of services and build robust reserves.

The proposals presented in this report aim to utilise our assets, skills and infrastructure to continue the enabling of inclusive and environmentally sustainable growth in the Borough whilst providing a mechanism to ensure the Council has the revenue resources to continue to provide services and resources to our residents. The council's ambition to make Cheltenham the cyber capital of the UK also continues to be critical to ensuring that the council achieves financial sustainability.

The recommendations within this report aim to ensure a balanced budget is delivered in 2023/24, 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.

Recommendations:

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 2023/24 represents an increase of 2.99% a year for a Band D property, subject to conclusion of the consultation on the Local Government Provisional Finance Settlement.
2. Note the schedule of target savings and income generation at Appendix 3.

3. Approve the proposed capital programme at Appendix 5, as outlined in Section 13.
 4. Delegate authority to the Executive Director Finance, Assets and Regeneration, 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.
 5. Seek consultation responses by 31 January 2023.
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1. Implications

1.1. Financial implications

As detailed in the report.

Signed off by: Gemma Bell, Director of Finance & Assets (Deputy s151 officer)

1.2. Legal implications

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.

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.

Signed off by: One Legal, legalservices@onelegal.org.uk, Tel no: 01684 272012

1.3. HR implications

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.

Signed off by: Clare Jones, HR.Cheltenham@publicagroup.co.uk

1.4. Environmental and climate change implications

The interim budget proposals for 2023/24, in particular in relation to the increasing cost of energy, are in line with our Climate Emergency Action Plan. A reduction in energy consumption spawns a reduction in overall greenhouse gas emissions, and therefore aligns with our Climate Emergency Action Plan. The investment in the capital programme and through the additional growth item for the County wide Climate Co-ordinator will expedite our progress towards becoming a net zero Council.

Signed off by: Laura Tapping, Climate Emergency Programme Officer, 01242 264263

1.5. Property/asset implications

As detailed in the report and appendices, specifically the capital programme in Appendix 5 and the planned maintenance programme in Appendix 6.

Signed off by: Gemma Bell, Director of Finance & Assets (Deputy s151 officer)

1.6. Corporate policy framework implications

The actions outlined in this budget proposal to implement savings and grow our commercial income will help ensure that the council can continue to deliver its corporate objectives as set out in the 2019-2023 Corporate Plan. It also means we will be well placed to deliver the priorities in the new Corporate Plan which will be presented to Council for approval in February 2023.

Signed off by: Richard Gibson, Head of Communities, Wellbeing and Partnerships, 01242 264280

2. Promoting equality and reducing discrimination

An equality impact assessment will be presented with the final budget proposals following the consultation period ending on 31 January 2023.

3. Performance management – monitoring and review

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 Medium Term Financial Strategy in February 2023.

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 and reported quarterly to the Cabinet.

4. Background

4.1. 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 2023. This report sets out the interim proposals for 2023/24.

4.2. 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.

4.3. A Local Government Provisional Finance Settlement was received from the Department for Levelling Up, Housing and Communities (DLUHC) on 19 December 2022. The draft budget proposals include information from the Provisional Finance Settlement outlined above. Any significant changes to the Provisional Settlement as a result of the Government consultation will be clearly outlined in the final budget proposals.

5. Settlement Funding Assessment

5.1. The funding of the 2023/24 interim budget proposal is based on the Local Government Provisional Finance Settlement for 2023/24, which was released by DLUHC on 19 December 2022. Similar to the settlement for 2022/23, this provides certainty over funding for one year only.

5.2. The headlines from the Local Government Provisional Finance Settlement for Cheltenham in 2023/24 are:

- The referendum threshold for increasing the “Core” Band D Council Tax borough council precept to be increased from the higher of 1.99% or £5 to 2.99%, subject to further lobbying through the period of consultation.
- No further continuation of the Lower Tier Services Grant for which we received £129,988 in 2022/23.
- A reduction in the Services Grant introduced in 2022/23 from £195,881 last year to £110,376 in 2023/24.
- Business rates pooling will be available in 2023/24 and 2024/25 with an expected reset from 2025/26.
- A final payment of £31,640 of New Homes Bonus, a small reduction in what was previously expected.
- A one off 3% Funding Guarantee payment of £822,021 expected for 2023/24 only.

5.3. Overall, this provides a 3% increase in baseline funding when compared to 2022/23, against inflation of 11.1% and places greater reliance on local tax generation from Council Tax and business rates to meet the demands of our increased expenditure.

6. The economic context for setting the 2023/24 budget

6.1. The 2023/24 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 11.1%, the highest level in nearly 40 years, with expectations that this will not decrease to pre pandemic levels for another two years. To put the past twelve months into context, in the interim budget proposals for 2022/23 inflation was at 4.2% which was equally the highest it had been for 40 years.

6.2. Interest rates have also increased eight times since the same budget paper was presented and from a Bank of England base rate of 0.1% twelve months ago, this is

expected to rise to 4.25% in 2023/24.

- 6.3. Although the 1.25% increase in National Insurance contributions employers pay introduced by the Government in April 2022 was removed by November, other costs of delivering our services have significantly surpassed any financial saving generated from this.
- 6.4. The most significant inflationary cost increase is the rising price of oil and gas. In December 2021 we were paying approximately 15-20p per kWh for electricity and 5-10p per kWh for gas. During 2023/24, before the Government's announcement on the energy price cap we were paying 56p for electricity and 16p for gas. This has significantly increased the running cost of our buildings, both operational and those open to the public to deliver our core services.
- 6.5. 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.
- 6.6. The starting point for setting the 2023/24 budget is the projected budget gap from the September 2022 monitoring report and taking account the additional pressures expected through 2022/23 and 2023/24 including increases in Ubico contract costs, the pay award in 2022/23 and the increase in the price of energy and fuel.
- 6.7. As with last year, closing the budget gap 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.
- 6.8. The proposals within these budget papers aim to utilise our assets, skills and infrastructure to shape and improve public services and continue inclusive and environmentally sustainable economic growth in the Borough whilst providing a mechanism to ensure the Council has the revenue resources to continue to deliver services in the present economic climate.

7. The Cabinet's Budget Strategy for 2023/24

- 7.1. As outlined in the Executive Summary of this report, the Council have taken decisive action since the outbreak of the global pandemic in 2020 to safeguard the financial sustainability of the Local Authority. This followed the introduction of the commercial strategy in 2015 which underpinned the actions taken to generate income streams to offset the reduction in Government revenue funding and support the general fund.
- 7.2. In the previous two budget proposals, there has been continued commitment to the Council's corporate priorities; to inclusive and sustainable growth in the town, to the goal of supporting the Council and the town to be net carbon zero by 2030, to becoming the Cyber capital of the UK, to delivering more housing across the borough and to our No Child Left Behind initiative. The success of this approach has been reflected in the responses to the Resident's Satisfaction Survey in October 2022 where 80% of respondents agreed that Cheltenham has a positive future.
- 7.3. This interim budget proposal for 2023/24 is a re-commitment to these priorities and to the

ambitions for growth, investment and sustainability originally outlined in the Recovery Strategy. The Cabinet acknowledge that decisive action is needed to ensure resources are balanced to deliver on these commitments, particularly in light of the economic challenges which are forecast to continue into the medium term.

- 7.4. The strategy outlined below aims to balance sustainable and green growth and investment with the financial sustainability of the Council. However in order to deliver these ambitions a challenging savings strategy is also required, despite the savings already delivered in 2022/23.

Carbon neutrality

- 7.5. CBC's 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.
- 7.6. 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. Work has been undertaken throughout 2022/23 to install smart meters in our buildings, increasing the accuracy of the monitoring of energy usage across the Council's estate. This is undertaken by a permanent energy officer, a post which has now been built into the base budget.
- 7.7. On 21 February 2022 the Council approved a Climate Change Emergency Action Plan which outlined in further detail their commitment to taking a leading role, as well as playing its part in working with individuals, communities, businesses and other partners to achieve this ambitious goal.
- 7.8. The Council also approved a £10m Green Investment Fund to provide capital investment for schemes, projects and building improvements which would contribute to the net zero carbon goal. In 2022/23 funding for the first project was approved and work is now underway to upgrade the building management systems at all the Council's main buildings to reduce energy usage.
- 7.9. The PSDS capital budget supplements the existing £350,000 of CBC funding already earmarked to support the implementation of climate change activities. In 2022/23, part of this fund has been invested in infrastructure at the Depot to allow more Ubico vehicles to operate using green fuel sources.
- 7.10. In March 2022, Cheltenham Borough Homes (CBH) was successfully awarded £800,000 of funding through the Government's Social Housing Decarbonisation Fund (SHDF). The fund is administered by the Department for Business, Energy, and Industrial Strategy (BEIS) to improve the energy performance of homes with an EPC rating of D or below. This award follows the SHDF Demonstrator where CBH was successful in obtaining £40,000 towards the improvement of two homes as a pilot. These works are underway and due to be completed in April 2022.
- 7.11. The climate change team are now fully established have built strong relationships with stakeholders across the borough through Climate Leadership Gloucestershire and the County wide Climate Change Coordinator to ensure that a County wide approach is being taken to tackle the climate challenges we face.

Inclusive and Sustainable Economic Growth and Development

- 7.12. Despite the financial uncertainty caused by the pandemic and the current cost of living

crisis, over the last two years, the Council has continued to demonstrate its commitment to make Cheltenham a place where everyone can thrive. The Council have invested in a number of activities over the last year to drive sustainable growth and investment in the town:

- An investment of £87k into the upgrade of the public space around Clarence Fountain to improve facilities, seating and planting.
- A £3.3m investment in retail units on the High Street for development and regeneration.
- An additional £2.5m investment into the MX to complete the build of a cyber-innovation hub and cultural venue by the Cheltenham Minister.
- A contribution of £250k to the refurbishment of the Wilson Art Gallery and Museum which has now re-opened with new galleries and a café facilities.
- The re-design of the Minster Gardens to connect the high street to the MX and Wilson Art Gallery.

7.13. These investments provide a once in a generation opportunity to revitalise the town centre, increase footfall to businesses on the high street and support sustainable economic growth in Cheltenham. The impact of investments like this are reflected in the results of our recent Residents Satisfaction survey where 87% of respondents were satisfied with the town centre as a place to visit during the day.

7.14. To support these same ambitions for the wider town centre, the 2022/23 budget included a review of the role and resources available to Marketing Cheltenham. This has now been completed and the team in place is working with stakeholders on the town, focussing on destination marketing and economic growth and development.

7.15. The Council has also completed 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. The Golden Valley project team have been established in the base budget and a number of new officers have been recruited to ensure the Council have the skills and expertise to deliver the ambitious development and construction projects planned for the town.

7.16. The Council's new Asset Management Strategy was also approved in February 2022 and work is underway to review the strategic alignment of our £500m property portfolio to the Council's Corporate Priorities. A number of sites have already been brought forward for disposal where the benefits of retention are not aligned to the Council's focus. These disposals will generate capital receipts which are being re-invested by the Council on key projects whilst also providing opportunities for new housing and development in the town.

7.17. In the 2021/22 budget proposal there was a growth item approved for a £75k investment into an apprenticeship scheme. In September 2021, five apprentices were recruited and are now progressing through their qualification pathways. With the success of the first cohort of apprentices, more regular and flexible recruitment cycles are planned from September 2023 as apprentices successful complete their training. With a competitive recruitment market in the current economic environment, this will support staff retention and reduce the cost of recruitment activity by providing longer term investment to build the skills and expertise we need to deliver our priorities.

7.18. The economic uncertainty we currently face will continue to challenge us as a town and a Council into the medium term. Our recovery strategy and subsequent budget proposals have 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.

8. Retained Business Rates

- 8.1. In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements.
- 8.2. Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 8.3. The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.
- 8.4. The anticipated level of business rates due to this Council in 2023/24 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.
- 8.5. 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.
- 8.6. The impact of the revaluation of business rated premises on retained business rates, appeals and the amount due on our own occupied premises are yet to be determined by the Valuation Office Agency. The Local Government Finance Policy Statement states that revaluation is intended to be fiscally neutral at both the national and local level however the specific impact on the general fund budgets will not be fully quantifiable until the valuations are confirmed and any appeals are made.
- 8.7. 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 2023/24 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements.

9. Council Tax

- 9.1. 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. Until the release of the 2023/24 Provisional Finance Settlement, the referendum threshold for council tax increases was 2 per cent for all local authorities. District Councils have been allowed increases of up to and including £5, or up to 1.99 per cent, whichever is higher.
- 9.2. 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.

- 9.3. In response to this, the Provisional Finance Settlement currently includes an increase to the referendum threshold for District Councils to 3 per cent although there is still significant lobbying ongoing for this to be 3% or £10. This clearly demonstrates the mandate from central government for the reliance of council tax to fund our local services.
- 9.4. The gross tax base is forecast to increase by 0.5% in 2023/24 against the target increase of 0.8% in the Medium Term Financial Strategy which means at the 2022/23 threshold we have a shortfall on the level of Council Tax expected to be collected to fund core services.
- 9.5. 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. There has also been consideration of the affordability of an increase to residents where the results of the Residents Survey from 2022 found that 97% of respondents would support an increase in Council Tax that was below or in line with inflation.
- 9.6. The uncertainty surrounding the timing of the fair funding review, business rates and the increasing pressure on costs continues to place significant reliance on council tax as our main source of income.
- 9.7. Therefore, at this stage the Cabinet is proposing a 2.99% increase in council tax in 2023/24 for the year for a Band D property, subject to any further information on changes being received in the Final Settlement.

10. Collection Fund

- 10.1. 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 2022/23, primarily arising from an increase in the tax base compared to that estimated in setting the budget in February 2022. Surpluses and deficits are normally shared out between the Council, County and Police and Crime Commissioner in the following year.
- 10.2. 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.
- 10.3. 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. Work is ongoing to determine the surplus for 2023/24.

11. Treasury Management

- 11.1. Appendix 2 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 11.2. 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. Since this date, interest rates have risen a further seven times. This means in one year the Bank of England base rate has risen from 0.1%

to 3% and our treasury advisors have forecast this will peak to 4.25% during 2023/24.

- 11.3. As at 30 September 2022, the Council had net borrowing of £152.751m, a reduction since March 2022 by reducing the amount of temporary borrowing and using cash investments earning very little interest to fund capital spend.
- 11.4. 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.
- 11.5. 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 stood at £280k. This has reduced over the following twelve months to £173k.
- 11.6. This is part of the Schroder Income Fund and makes up 8.65% of the £2m we have invested in the fund. 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.
- 11.7. 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.
- 11.8. As a net borrower, the speed of the rise in interest rates has created a budget pressure for the Council during 2022/23 and into 2023/24. It is forecast that the net impact of interest rate rises will require an additional £443k of revenue funding in 2023/24 which is included in the interim budget proposals. This is significantly more the 2022/23 forecast which has been partially protected by the incremental increases. The 2023/24 forecast is based on the Bank of England rate increasing to 4.25% and remaining there for the full twelve months.
- 11.9. It is our £45.5m of temporary borrowing that is most exposed to increase rate increases and monitoring of fixed rates continues as the decision to fix all or a proportion of this borrowing is subsequently reviewed.
- 11.10. We will continue to closely monitor the benefits of fixed vs. temporary borrowing as well as the performance of the Schroder income 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 2023/24 Treasury Management Strategy, which will be published in the spring.

12. Reserves

- 12.1. 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 2023. A projection of the level of reserves to be held at 31 March 2023 and 31 March 2024 respectively is detailed in Appendix 4.
- 12.2. The level of our general balances through 2022/23 has meant the forecast £2.39m overspend against the approved budget reported to Cabinet in November 2022 can be managed within the year. However, this leaves our general balances at pre pandemic

levels, at a time of significant uncertainty about the medium term economic environment.

- 12.3. The Cabinet recognise the importance of continuing to strengthen reserves to provide additional financial stability to the Council in managing these pressures. 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.

13. Capital Programme

- 13.1. The interim capital programme for the period 2022/23 to 2025/26 is set out at Appendix 5.
- 13.2. 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 which align to the Council's key corporate priorities. In particular, it includes an allocation for public realm works within the Town Centre, regeneration and development of the High Street and continued commitment to investment in a net carbon zero town and Council.
- 13.3. These reflect the Cabinet's view that the Council are an enabler for economic recovery, making sustainable and financially secure investments to provide benefits for our businesses, residents and communities. This is more important than ever to support the town post pandemic when residents and businesses are facing rising costs due to the inflation, rising interest rates and a predicted recession in the coming year.
- 13.4. During the 2023/24 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.

14. Property Maintenance Programme

- 14.1. The interim budget proposals include the 2023/24 property maintenance programme, which will also be reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £599k to planned maintenance, as detailed in Appendix 6.

15. Fees and Charges

- 15.1. A significant proportion of the council's funding comes from fees and charges. Within the Council's commercial strategy this is an important funding mechanism and one which is within the Council's gift to control, subject to any legislative, economic or political constraints.
- 15.2. However, as more reliance is placed on income there is increased pressure to understand current performance levels coupled with the risks and opportunities arising from each income stream whether it is new or existing. It is also important to consider how resilience each income stream is so that appropriate levels of mitigation can be put in place under a Reserves Strategy to meet dips arising when circumstances change.

- 15.3. In previous years, a general assumption for a 2% increase in non-statutory fees and charges has been factored in. In 2022/23, with inflation in September rising to 10.1%, the Council have opted for a fundamental review of fees, charges and pricing structures for our services.
- 15.4. Within the interim budget, a full schedule of the proposed fees and charges for 2023/24 has been included at Appendix 7. Some services have applied the full 10.1% inflationary increase on their fees and charges with others applying a lower uplift when market forces apply. The proposed changes are subject to the relevant steps being taken to follow legislative requirements, including a separate consultation on the car parking order.

16. Consultation and feedback

- 16.1. The formal budget consultation on the detailed interim budget proposals for 2023/24 will be over the period 21 December 2022 to 31 January 2023. 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 2023 and any comments will be fed back to the Cabinet.
- 16.2. 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.
- 16.3. All comments relating to the initial budget proposals should be returned to the Director of 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](mailto:money matters@cheltenham.gov.uk).
- 16.4. It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Director of 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.
- 16.5. 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.

17. Alternative options considered

- 17.1. This Council was one of, if not the first council to publish a Recovery Strategy in 2020 in the middle of a global pandemic. That early publication and consultation enabled the Council to clearly signal recovery aims and objectives. The economy was, and continues to be in an extremely difficult position nationally and responding dynamically was seen as the best way to support the rest of the town to recover.
- 17.1. Section 114 (1) of the Local Government Finance Act 1988 places a duty on the Section 151 Officer to report certain matters to the authority. The duty of the Section 151 Officer to report where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the Council has considered the report.
- 17.2. News from Councils across the country tell of local authorities who are continuing to struggle to balance the books and warn of the possibility of issuing section 114 notices without further financial support from Central Government. In many cases this has already happened.
- 17.3. The financial strategies implemented since November 2020 to refresh the commercial strategy, review asset management and invest in growth have so far meant the Council have not needed to pursue this course of action. However, with the challenging economic environment set to continue the Council need to renew their commitment to delivering efficiencies, savings and maximising income streams to support the ongoing delivery of services and build robust reserves as they work towards financial self-sufficiency.

18. Key risks

- 18.1. See Risk Assessment in Appendix 1
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Appendices:

1. Risk Assessment
2. Summary net budget requirement
3. Budget Savings / Additional Income
4. Projection of reserves
5. Capital programme
6. Programmed Maintenance programme
7. Provisional Fees & Charges Schedule for 2023/24

Background information:

1. 2022/23 Final Budget Proposal report to Council - 21 February 2022;

2. The Quarter two 2022/23 budget monitoring report to Cabinet – 8 November 2022;
3. The provisional local government finance settlement for 2023/24:

<https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2023-to-2024-consultation>.

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
347	If energy costs keep rising / fluctuating as per the current market then it impacts on our ability to accurately budget/forecast expenditure and may impact on our the investments we can make in projects / programmes whilst still being able to achieve our MTFS	Gemma Bell, Director of Finance and Assets	4	4	16	Reduce	This policy and the associated action plans.	Gemma Bell, Director of Finance and Assets	Ongoing
	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	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.	ED Finance and Assets	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	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	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.	ED Finance and Assets	Ongoing
	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business and the constrained	ED Finance and Assets	5	4	20	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by the Council.	ED Finance and Assets	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	ability to grow the business rates in the town then the MTFS budget gap may increase.						<p>The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot.</p> <p>Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.</p>		
	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	4	4	16	Reduce	<p>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</p>	ED Finance and Assets	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
							income generation will be prioritised to mitigate the risk of income fluctuations.		
	If the assumptions around government support, business rates income, impact of changes to council tax discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.	ED Finance and Assets	5	3	15	Reduce	Work with Publica and countywide CFO's to monitor changes to local government financing 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.	ED Finance and Assets	Ongoing
	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	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.	ED Finance and Assets	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	asset sales.						Work programmes are underway to review service provision, capital programmes and rationalisation of assets.		