

Overview & Scrutiny, 31st January 2023

9. Budget proposals for coming year

Cllr. Matt Babbage, Chair of the Budget Scrutiny Working Group

The Budget Scrutiny Working Group (BSWG) was set up by Council in 2010 as a result of the economic crisis and increasing pressures on the council's financial resources. It was agreed that the group should be a scrutiny task group and form part of the new overview and scrutiny arrangements. The group aims to ensure that Members work collectively, accepting political differences, on solutions to the budget gap. The working group is not a decision making body, but its role is to develop the budget process, support the development of Members' scrutiny role and to consider ideas from Members for reducing the budget gap.

The group met on 12th January to discuss the General Fund and Housing Revenue Account (HRA) budget proposals for the coming year. Gemma Bell (Director of Finance and Assets and Deputy S151 Officer) and Stafford Cruse (Head of Finance, Cheltenham Borough Homes) introduced the reports and responded to Members' queries.

The budget proposals followed the local government funding settlement, which had come through on 19th December. The settlement guaranteed local authorities a minimum 3% increase in core spending power, although officers noted that this was outweighed by the expected impact of inflation, rising costs and interest rates. The surrounding policy from central government emphasised local tax generation and robust local authority reserves.

Officers noted that a longer settlement would have enabled more long-term planning, with no guarantee that the increased funding would last beyond March 2024. Arlingclose, the council's treasury advisors, were forecasting an increase in interest rates to 4.25%, which would add further pressure onto temporary borrowing. The proposals took this into account, along with rising energy costs, inflation and the local government pay award, and ultimately would not draw down significantly on any other reserves to deliver the budget.

Members highlighted a number of key aspects of the proposals, including the proposed 7% rent rise on CBH properties. Members emphasised the need to balance the HRA's interests with those of residents, and the importance of supporting those who might find it difficult to afford the increase during the ongoing cost of living crisis. Although it would be a challenging year, officers were confident that the HRA could cope with the pressures on it, as long as the speed and scale of its projects were carefully managed.

Members noted the baseline 10.1% increase in fees and charges, as well as the 15.5% increase in the cost of the Ubico contract, which officers explained was largely due to

staffing costs and a pension gap in addition to broader pressures. CBC's own pension pot was now fully funded, with secondary contributions able to be brought back into the base budget as a result.

The group discussed how the economic downturn had affected Cheltenham's affordable housing pipeline, with a number of projects in the town being either delayed or cancelled due to financial viability, although the council's own projects like Golden Valley continued to progress. Members noted that planning fees had not increased since 2018, while the council's Car Parking Order would be reviewed subject to a separate public consultation.

Members were pleased to see the council's climate change goals taking a key role within the proposals, with a particular focus on retrofitting and decarbonisation of the CBH housing stock. CBH's 'fabric first' approach (i.e. maximising the performance of the components and materials that make up the building fabric itself) had been successful so far in obtaining government funding, and officers would continue to take full advantage of future waves due to the high cost of retrofitting.

Members were reassured by the finance team's diligence and praised the service CBH provided. The final budget proposals are due to go to Cabinet and Council in February.