

Cheltenham Borough Council

Cabinet – 14 February 2023

Council – 20 February 2023

General Fund Revenue and Capital – Final Budget

Proposals 2023/24

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 and Overview and Scrutiny Committee

Ward(s) affected:

All

Key/Significant Decision:

Yes

Executive summary:

This report summarises the revised budget for 2022/23 and the Cabinet's final budget proposals and pay policy statement for 2023/24.

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.

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. The final budget 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 revised budget for 2022/23 which is reported here as part of the budget monitoring process for 31 December 2022.**
- 2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.**
- 3. Approve the final budget proposals including a proposed council tax increase for the services provided by Cheltenham Borough Council for the year 2023/24 based on a Band D property (an increase of 2.99% for a Band D property), as detailed in paragraphs 9.1 to 9.5.**
- 4. Approve the savings / additional income totalling £1,300,000 and the budget strategy at Appendix 4.**
- 5. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 5.**
- 6. Approve the capital programme at Appendix 6.**

7. **Approve the programmed maintenance programme at Appendix 7.**
 8. **Approve the flexible use of capital receipts strategy as detailed in Appendix 8.**
 9. **Note that the Council will remain in the Gloucestershire business rates pool for 2023/24.**
 10. **Approve the Medium Term Financial Strategy (MTFS) detailed in Appendix 9.**
 11. **Approve the Pay Policy Statement for 2023/24, including the continued payment of a living wage supplement at Appendix 10.**
 12. **Approve the proposed fees and charges schedule for 2023/24 at Appendix 11, subject to appropriate consultation where required.**
 13. **Approve a level of supplementary estimate of £100,000 for 2023/24 as outlined in Section 19.**
 14. **Resolves to amend the definition of a Key Decision as set out in the constitution to increase the threshold for the acquisition or disposal of land from £250,000 to £500,000, and gives delegated authority to the Monitoring Officer to make the associated change to the constitution as outlined in Section 17.**
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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

The budget setting process must follow the Council's Budget and Policy Framework Rules.

Members are not generally regarded as having a personal or prejudicial interest in the setting of the council budget and council tax. However, any member who is in arrears of council tax needs to give careful consideration to the provisions of section 106 of the Local Government Finance Act 1992. This states that if any arrears remain unpaid for at least two months then the member must disclose this at the beginning of the meeting, which is to consider the council tax calculation and shall not vote on the matter. It is a criminal offence to disregard this requirement. Any member likely to be in such a position should seek advice as quickly as possible from the Monitoring Officer.

There is a legal requirement under the Local Government Finance Act 1992, sections 31A and 42A to set a balanced budget. The budget proposals include budgets for expenditure and income and use reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure in accordance with the Medium Term Financial Strategy.

Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements.

The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above specific levels. The relevant basic amount of council tax in 2023/24 will require a referendum if it is 3%, or more than 3%, above its 2022/23 level.

This means that a shire district authority will need to exceed the percentage referendum thresholds in order to be subject to a referendum.

Section 25 of the 2003 Local Government Act requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.

By approving the budgets for the capital programme, Cabinet are making key decisions as to the use of the budget. Consequently, the acceptance of tenders in excess of £100,000 by the lead member (or officers if authorised under the constitution) for contracts required to deliver works, services and supplies under the approved budget headings, will not be key decisions.

In accordance with the Council's approved Investment Strategy, the Council is able to lend money to support local public services and stimulate local economic growth. These include loans to organisations and residents within the Borough which support the priorities of the Council.

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 final budget proposals for 2023/24, particularly in relation to the increasing cost of energy, are broadly in line with our Climate Emergency Action Plan. A target reduction in energy consumption will lead to a corresponding decrease in greenhouse gas emissions, which aligns with our Climate Emergency Action Plan objectives. The investment set out in the capital programme and through the countywide Climate Co-ordinator role will help progress countywide carbon reduction initiatives. However, increased revenue investment is needed to maintain progress against the actions set out in the Climate Emergency Action Plan and this will continue to present a challenge for the council's budget without further funding support from central government.

The expenditure of allocated budgets within all services will be assessed using the Climate Impact Assessment Tool, which has been formally adopted by Cabinet, to help ensure that projects and policies are effectively aligned to the council's commitments on climate change, as well as other key social and environmental priorities.

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 6 and the planned maintenance programme in Appendix 7.

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

1.6. Corporate policy framework implications

The actions outlined in this final budget to implement savings and grow commercial income will help ensure that the Council can continue to deliver its corporate objectives as set out in the revised Corporate Plan for 2023- 2027.

Signed off by: Ann Wolstencroft, Head of Performance, Projects and Risk

2. Promoting equality and reducing discrimination

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

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

Budget Proposal (excerpt from appendix 4)	Potential community and equality impacts and any mitigating actions
Re-alignment of resourcing with Corporate Priorities	It is suggested that an equalities impact assessment is carried out on specific proposals that are brought forward following the approval of the Corporate plan for 2023-27 to assess how they may impact on staff and/or customers to ensure that individuals with protected characteristics are not in any way disadvantaged by the proposals. The EQIA will then be reported as part of any decision making on the proposal.
Commercial Income Generation opportunities	None identified at this stage; the individual proposals for revising fees and charges will be subject to separate equality impact assessments to ensure that particular groups are not disadvantaged.
Reduction in the Cheltenham Trust management fee	None identified at this stage; no impact has been assessed or measured in the prior two years of implementation of this proposal.
Maximise opportunities to strengthen CBC-CBH partnership	None identified.
Review of budget allocations against the new Corporate Plan	It is suggested that an equalities impact assessment is carried out on specific proposals that are brought forward following the approval of the Corporate plan for 2023-27 to assess how they may impact on staff and/or customers to ensure that individuals with protected characteristics are not in any way disadvantaged by the proposals. The EQIA will then be reported as part of any decision making on the proposal.

Pension tri-annual valuation

None identified.

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.

The delivery of the savings work streams included in the final 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. The consultation took place between the period 21 December 2022 to 31 January 2023 and this report sets out the final proposals for 2023/24.

5. Budget Assessment of the Section 151 Officer

- 5.1. Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, council tax and housing rents (see separate report on Housing Revenue Account to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.
- 5.2. The Section 151 Officer is satisfied that the proposed budget for 2023/24 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2023/24. The full assessment is attached at Appendix 2.

6. 2022/23 Budget Monitoring to December 2022

- 6.1. The budget monitoring report to the end of December 2022, indicates that despite a number of variances to the budget it still anticipates the delivery of services within the revised budget for 2022/23. It is proposed that this is achieved as previously reported by using general balances to offset the pressures experienced from the current economic environment.

7. Settlement Funding Assessment

- 7.1. The assumptions within these budget proposals are based on the local government 'final' finance settlement for 2023/24 which was released by DLUHC on 6 February 2023.

7.2. The headlines from the Local Government Final 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%.
- 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 £114,920 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 £817,477 expected for 2023/24 only.

7.3. Ministers will be re-starting the local government funding reforms in 2023/24. This means that the Fair Funding Review and business rates baseline reset are both going to be under consideration again, for possible implementation in 2025/26. This increases the urgency of the realignment of our budgets to ensure any changes to our baseline funding for next year can be managed more effectively.

8. Business Rates Retention (BRR)

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

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, despite the severe impact of the Covid-19 pandemic and the current economic environment remains above the baseline funding target (Cheltenham’s target level of retained Business Rates) which will result in Cheltenham still being liable to a ‘levy’.

8.5. The post-pandemic economic recovery of the town is being monitored closely by the Executive 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. 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 central government, which will be distributed in accordance with the governance arrangements.

- 8.7. One of the key documents in the budget setting process is the estimate of business rates yield, reported on the National Non Domestic Rates return (NNDR1), which is submitted to the DLUHC. The NNDR1 return was submitted by the deadline of 31 January 2023 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and the estimated net surplus from retained business rates against the baseline funding position in 2022/23 is £1.716m (revised estimate) and £2.732m in 2023/24.
- 8.8. Due to the expected receipt of the grants in 2021/22 but the need to spread the losses over the next three years, it is proposed to transfer the additional income receivable in 2021/22 to the Business Rates Retention Reserve, for use in future years to compensate for the impact of the increased losses (deficits) in those years. This is shown in the table below.

	2022/23 Original 50% system £	2022/23 Revised 50% system £	2023/24 Original 50% system £
Retained business rates	20,219,722	20,219,722	23,769,071
Tariff payable to government	(19,244,897)	(19,244,897)	(20,991,879)
Grant to compensate for government decisions	3,886,006	4,038,464	4,181,908
Estimated levy payable to government after Pool surplus	(566,208)	(455,792)	(1,279,572)
Net retained business rates	4,294,622	4,557,496	5,679,528
Less Baseline Funding (target level of net retained rates)	(2,841,443)	(2,841,443)	(2,947,776)
Net surplus on business rates against baseline funding	1,453,179	1,716,053	2,731,752
Deficit adjustment re 2020/21	(361,769)	(361,769)	(542,148)
Deficit adjustment re 2021/22	(4,903,767)	(5,937,118)	967,084
Surplus adjustment re 2022/23	-	-	318,370
One-off adjustments re previous years' deficits	(5,265,536)	(6,298,887)	(743,306)

Net retained business rates (after one-off deficit adjustments)	(970,914)	(1,741,391)	(6,422,834)
Transfer (to) / from BRR earmarked reserve	5,308,695	5,932,560	(250,000)
Net retained business rates	4,337,781	4,191,169	6,172,834

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. The referendum threshold for council tax for shire districts in 2022/23 was the higher of £5, or up to 1.99 per cent. This has been increased in the 2023/24 Settlement to up to 2.99 per cent.
- 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. To this end, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 9.3. The tax base is forecast to increase by 0.52% in 2023/24 against the target increase of 0.8%. 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.
- 9.4. The uncertainty surrounding the timing of the fair funding review, business rates and the uncertainty about the continuity of Government funding for more than a year continues to place significant reliance on council tax as our main source of income.
- 9.5. Therefore, the Cabinet is proposing a 2.99% increase in council tax in 2023/24; an increase of £6.70 for the year for a Band D property.

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 2023/24 the Council will also receive a share of the estimated deficit for 2021/22 of £11k and a share of the the

surplus for 2022/23 of £53k, resulting in a net surplus of £34k. Again, evidence supporting the economic recovery of our town post pandemic as new businesses open and empty premises become occupied again.

11. The Cabinet's general approach to the budget for 2023/24

- 11.1. 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.
- 11.2. 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.
- 11.3. The final 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.
- 11.4. In preparing this budget, 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 4% for 2023/24, 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.
- 11.5. The budget 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

- 11.6. 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.
- 11.7. 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. 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.

- 11.8. 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.
- 11.9. 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.
- 11.10. 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.
- 11.11. 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.
- 11.12. 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

- 11.13. 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.
- 11.14. 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.

- 11.15. 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.
- 11.16. 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.
- 11.17. 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.
- 11.18. 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 successfully 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.
- 11.19. 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.

12. Treasury Management

- 12.1. Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 12.2. 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 eight times
- 12.3. . This means in one year the Bank of England base rate has risen from 0.1% to 3.5% and our treasury advisors have forecast this will peak to between 4.25% and 4.5% during 2023/24.
- 12.4. 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.

- 12.5. 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.
- 12.6. 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.
- 12.7. 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. At the time of reporting the estimated cost of immediate divestment is £520,000 which would have to be offset by savings elsewhere.
- 12.8. 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 £608k of revenue funding in 2023/24 which is included in the final budget. This is significantly more the 2022/23 forecast which has been partially protected by the incremental increases.
- 12.9. 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.
- 12.10. 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 presented to the March Council meeting.

13. Reserves

- 13.1. 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 is presented in Appendix 2 to this report. A projection of the level of reserves to be held at 31 March 2023 and 31 March 2024 respectively is detailed in Appendix 5.
- 13.2. 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.
- 13.3. 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.

14. Capital Programme

- 14.1. The capital programme for the period 2022/23 to 2025/26 is set out at Appendix 6.

14.2. 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.

14.3. 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.

14.4. 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.

15. Property Maintenance Programme

15.1. The final 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 8.

16. Pay Policy Statement

16.1. Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.

16.2. The Pay Policy attached at Appendix 10 includes the following key requirements of the Localism Act 2011:

- policy on pay for each of the 'in scope' Officers;
- policy on the relationship between Chief Officers and other Officers;
- policy on other aspects of remuneration, namely recruitment, increases in remuneration, performance related pay and bonuses, termination payments, and transparency.

17. Local Authority Housing Fund

17.1. The Council has provisionally secured £2.36m of funding from the Government's Local Authority Housing Fund to acquire 21 homes on the open market to provide homes for the Ukrainian and Afghan refugees. This project will be delivered by Cheltenham Borough Homes in addition to their existing acquisitions programme.

17.2. The timescales to have acquired these properties is November 2023, so we need to be mobilised to move swiftly to secure properties which exceed the £250,000 delegated threshold to be classified as a key decision.

- 17.3. In order to deliver the programme and expand our affordable housing stock in the Housing Revenue Account, a recommendation has been included in this report to amend the threshold for a Key Decision for the disposal or acquisition of property from £250,000 to £500,000. This proposal has been discussed at the Constitutional Working Group who are supportive of this amendment.

18. Consultation and feedback

- 1.1 The formal budget consultation on the detailed interim budget proposals took place over the period 21 December 2022 to 31 January 2023. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience, predominately through its social media channels. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals.
- 1.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 12 January 2023 and comments have been fed back to the Overview and Scrutiny Committee and the Cabinet.
- 1.3 Formal meetings to discuss the budget were also held with Cheltenham Chamber of Commerce, C5 Parish Council's and the Voluntary and Community Sector (CVS). Public responses to the budget proposals with responses from the Cabinet are provided at Appendix 12.

19. Supplementary Estimates

- 19.1. Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2023/24 to be met from the General Reserve, the same level as in 2022/23.

20. Alternative options considered

- 20.1. 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.
- 20.1. 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.
- 20.2. 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.

20.3. 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.

21. Key risks

21.1. See Risk Assessment in Appendix 1.

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Appendices:

1. Risk Assessment
2. Section 151 Officer budget assessment report
3. Summary net budget requirement
4. Budget Savings / Additional Income
5. Projection of reserves
6. Capital programme
7. Programmed Maintenance programme
8. Flexible use of Capital Receipts Strategy 2023/24
9. Medium Term Financial Strategy (MTFS)- to follow
10. Pay Policy Statement
11. Fees & Charges Schedule for 2023/24
12. Responses to the 2023/24 Budget Consultation
13. Climate Change Impact Assessment

Background information:

1. General Fund Revenue and Capital – Interim Budget Proposals – Cabinet 20 December 2022;
2. The Quarter two 2022/23 budget monitoring report to Cabinet – 8 November 2022;
3. The final local government finance settlement for 2023/24:

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2023-to-2024>

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.		