

Cheltenham Borough Council

Cabinet 17 October 2023

Budget Strategy, Process & Timetable 2024-25

Accountable member:

Cllr Peter Jeffries, Cabinet Member for Finance and Assets

Accountable officer:

Gemma Bell, Director of Finance and Assets (Deputy Section 152 Officer)

Ward(s) affected:

All

Key Decision: No

Executive summary:

The purpose of this report is to propose a broad strategy and outline a process for setting the budget and council tax for 2024-25. It outlines a number of principles that need to be established at this stage to enable budget preparation to commence.

Recommendations: That Cabinet:

- 1. approves the budget setting timetable at Appendix 2 and outlined in section 5 of this report.**
- 2. approves the outline budget strategy outlined in section 6**
- 3. notes the £475k overspend reported to Cabinet in September 2023 and large amount of work which will be required to close this gap and deliver the required savings and efficiencies in 2023/24.**
- 4. notes the intention for this Council to remain in the Gloucestershire Business Rates Pool in 2024-25 as outlined in section 7**

5. requests that the Section 151 Officer, Deputy Section 151 Officer and the Cabinet Member for Finance and Asses consider suggestions from the Budget Scrutiny Working Group in preparing the interim budget proposals for 2024-25

1. Implications

1.1 Financial, Property and Asset implications

This report sets out the budgetary process for 2023-24 and the general financial parameters under which the budget will be prepared.

There are no property/asset implications arising from the content of the report or recommendations.

Signed off by: Gemma Bell, Director of Finance and Assets (Deputy Section 151 Officer), gemma.bell@cheltenham.gov.uk

1.2 Legal implications

None specifically arising from the report recommendations. The budget setting process is governed by the Budget and Policy Framework Rules (contained in the Council Constitution) and the process recommended in this report is designed to meet the requirements of those Rules.

Signed off by: One Legal, legalservices@onelegal.co.uk

1.3 Environmental and climate change implications

The annual budget aims to deliver the outcomes defined by the Council's corporate business plan, including the priority to be carbon neutral by 2030, and resourcing should be aligned to the delivery of corporate plan priorities.

Signed off by: Gemma Bell, Director of Finance and Assets (Deputy Section 151 Officer), gemma.bell@cheltenham.gov.uk

1.4 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Enhancing Cheltenham's reputation as the cyber capital of the UK
- Working with residents, communities and businesses to help make Cheltenham #netzero by 2030
- Increasing the number of affordable homes through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity

- Being a more modern, efficient and financially sustainable council
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2 Background

- 2.1 The responsibility for preparing the budget in line with the Council's policy framework, taking proper account of technical and professional advice and presenting proposals to Council for approval, lies with the Cabinet.
- 2.2 It is customary for the Cabinet Member for Finance and Assets, at this time of year, to present a report on the budget process. Accordingly, this report aims to outline a process designed to arrive at an acceptable budget.
- 2.3 The budget and policy framework requires that the Council publish a timetable setting out the key dates in the budget setting process. A draft budget timetable, attached for approval at Appendix 2, sets out the sequence of events leading up to the setting of the budget and council tax level for 2024-25. The timetable allows sufficient time to consider alternative budget proposals or amendments put forward to the budget proposed by the Cabinet.

3 The Budget Setting Timetable and Process

- 3.1 The proposed key stages in the process for setting the budget for 2024-25 are summarised in the timetable at Appendix 2 and are detailed below. The timing of events may change as the process develops.

Budget Preparation

- 3.2 Between October and December 2023, the Cabinet Member for Finance and Assets and officers will work with the Cabinet towards the creation of 'interim budget' proposals which will make the following assumptions:
- The projection will be for a standstill budget, prepared under a general philosophy of no growth in levels of service.
 - Budgeted for employee pay inflation and an increase in member's allowances for 2024-25 which will include contingency for any pay award.
 - An inflationary increase of the relevant costs in the base budget.
 - The impact of prevailing interest rates on the investment portfolio will be assessed in preparing the budget. The Treasury Management Panel will consider the position in respect of treasury management activity during the budget setting cycle.
 - An assessment of the charges to be made to Cheltenham Borough Homes and the Housing Revenue Account will be incorporated in the budget proposals, including assessing the impact on the General Fund of the change in activity for 2023-24 and beyond.
 - A council tax increase of 3% will be used for modelling purposes

Publication of Initial Budget Proposals

3.3 The Cabinet will present its initial budget proposals and publish them for consultation in line with the advertised plan. The initial budget proposals will include all general fund revenue, capital and housing revenue account estimates to meet a balanced budget, together with assumptions made on future council tax and rent levels.

3.4 The Budget Scrutiny Working Group will also support the budget process during this consultation period by considering options for addressing any funding gap. The consultation process is outlined in more detail in Section 10. This also provides an opportunity for alternative budget proposals to be submitted to the Director of Finance & Assets assessment.

Final Budget Proposals and Council Approval

3.5 At the end of the consultation period, the Cabinet will draw up firm budget proposals having regard to the responses received. In drawing together its budget proposals to Council the report will reflect the comments made by consultees and the Cabinet's response. The firm budget proposals will be presented to Council at the budget setting meeting for decision in February 2024.

Housing Revenue Accounts

3.6 Draft proposals for the Housing Revenue Account will also form part of the same process for considering the General Fund revenue and capital budgets.

4 Cabinet Budget Strategy

4.1 The 2023-24 budget monitoring report presented in September 2023 reported a forecast net overspend against the budget of £475k for the current financial year. The variances will continue to be monitored through the year, in particular the assumptions underpinning the wider economic pressures which make up the largest part of the forecast overspend for borrowing costs.

4.2 Our current financial position demonstrates that even with the financial planning decisions taken by Officers and Members over recent years, we are still facing significant uncertainty and volatility in managing the resources available to the Council to deliver services to our residents and communities.

4.3 The proposal to fund the projected overspend using balances and reserves will provide the council with a short term solution. However, with pressures such as interest rates and high levels of inflation this is not a sustainable funding mechanism.

4.4 Balances and reserves have reached their lowest levels in years. In particular, after using £2.6m of general balances to support the budget in 2022/23 we cannot continue to rely on finite resources to meet the budget gap. To continue providing high-quality services to residents, decisions need to be taken about savings and efficiencies in order to replenish the resources used since 2020/21.

4.5 The 2024/25 budget proposal and Medium Term Financial Strategy need to set out how the council will balance these long and short term pressures, ensure levels of reserves are

maintained appropriately whilst also continuing to focus resources on our key priorities. This is a huge challenge and Officers and Members will need to continue to be proactive in reviewing efficiencies and prioritising resources to bridge the budget gap.

4.6 In 2023/24 a four-year savings strategy was approved which was weighted towards delivering £1.3m of base budget savings in year one. This is an incredibly ambitious target, particularly in the current economic environment and officers and Members have been working together to review options for re-aligning our resources.

4.7 A specific focus of this strategy has been reviewing discretionary spend across all service areas against the Corporate Plan to determine whether services can be delivered differently and ensure the Council are able to achieve our key priorities.

4.8 Some proposals have already been implemented and key decisions taken where applicable in line with the constitution. Further proposals are being developed in consultation with the Cabinet to build a four-year plan to balance the budget gap. The four-year proposal will be available as part of the draft budget for consultation in December 2023.

5 Business Rates Retention – Pooling Arrangements

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

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

5.3 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.

5.4 The anticipated level of business rates due to this Council in 2023-24 indicates growth based on the previous year and is still forecast to be above the baseline funding target (Cheltenham's target level of retained Business Rates) which will result in Cheltenham still being liable to a 'levy'.

5.5 Taking the above into account, it is the opinion of the Deputy Section 151 Officer that this Council will benefit from remaining in the pool in 2024-25 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements.

6 Reasons for recommendations

6.1 The council is required to agree a budget process and timetable as part of the Financial Regulations set out in the council's constitution.

7 Alternative options considered

7.1 It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Director of Finance & Assets (preferably channelled

through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is identified.

7.2 Given the financial pressures and the potentially very difficult decisions which will have to be made, it is very 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.

8 Consultation and feedback

8.1 The formal budget consultation period will be no less than four weeks and will take place during 20 December 2023 to 26 January 2024. 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 all interested parties will be welcome to provide feedback on the initial budget proposals. Groups, businesses, tenants, residents, staff and trade unions will be encouraged to comment on the draft budget proposals at this time. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Corporate Plan, how they will be financed, and how they will help the Council to achieve best value. Presentations will be made to key business groups as part of the consultation process.

8.2 The Budget Scrutiny Working Group and Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for 11 January 2024 and feed any comments back to the Cabinet.

8.3 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 consider their full implications and to be built into the budget. Accordingly, if alternative budget proposals are to come forward, this should happen as early as possible.

8.4 All comments relating to the initial budget proposals should be returned to the Director of Finance & Assets by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Consultation questionnaires will be available in key locations and for completion on line via the Council's website. Comments can be e-mailed to moneymatters@cheltenham.gov.uk.

9 Key risks

9.1 The key risks are set out in Appendix 1.

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Appendices:

1. Risk Assessment
2. Budget Setting Timetable

Background information:

Budget Monitoring Report 2023-24 – Position at 30 June 2023

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 / programs 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	ED Finance and Assets	5	4	20	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates	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
	and the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.						<p>revenues retained by the Council.</p> <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	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional	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
							judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.		
	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

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 government support to compensate this Council for the impact of COVID-19 is insufficient, greater reliance will be placed on the use of reserves, service reduction and asset sales.	ED Finance and Assets	5	3	15	Reduce	<p>The Council will continue to lobby for additional resource, as promised by Central Government from the outset of the pandemic.</p> <p>Work programmes are underway to review service provision, capital programmes and rationalisation of assets.</p>	ED Finance and Assets	Ongoing