

Cheltenham Borough Council

Cabinet & Council – 23 February 2024

General Fund Revenue and Capital – Final Budget

Proposals 2024/25

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:

No

Executive summary:

This report summarises the revised budget for 2023/24 and the Cabinet's final budget proposals and pay policy statement for 2024/25.

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 still higher than the Government's target and interest rates running at their highest level since 2008, the forecast for 2024/25 continues to be some of the most challenging times for Local Authorities.

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. The Section 25 report for 2022/23 assessed the appropriate level of general balances to be carried by the Council to be £1.527m however this was reassessed at £3.256m in July 2022 at the beginning of the cost of living emergency where new assumptions were needed for increases in inflation, interest rates, and savings delivery.

The purpose of this analysis is to ensure there is sufficient contingency available to support pressures not originally forecast in the base budget. It was this re-assessment which informed key decisions to make sure this contingency was available when inflation and interest rate pressures continued into 2023/24.

In order to start to strengthen our reserves position again, another challenging savings strategy has been proposed in order to balance the 2024/25 budget. Work has been ongoing through 2023/24 to work through proposals and take key decisions to deliver both in year and through the medium term. Although this is a positive direction of travel, work needs to continue to ensure key projects deliver on proposed savings.

The recommendations within this report aim to ensure a balanced budget is delivered in 2024/25, that 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 2023/24 which is reported as part of the budget monitoring process for 31 December 2023 in Section 6.**
- 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 for the services provided by Cheltenham Borough Council of £237.68 for the year 2024/25 based on a Band D property (an increase of 2.99%), as detailed in paragraphs 9.1 to 9.6.**
- 4. Approve the savings / additional income totalling £2,741,000 and the budget strategy at Appendix 4.**
- 5. Approve the revenue growth items totalling £158,000 at Appendix 5.**
- 6. Approve the capital programme at Appendix 6.**
- 7. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 7.**

- 8. Approve the programmed maintenance programme at Appendix 8.**
 - 9. Approve the Medium Term Financial Strategy (MTFS) detailed in Appendix 9.**
 - 10. Approve the flexible use of capital receipts strategy as detailed in Appendix 10.**
 - 11. Note that the Council will remain in the Gloucestershire business rates pool for 2024/25.**
 - 12. Approve the Pay Policy Statement for 2024/25, including the continued payment of a living wage supplement at Appendix 11.**
 - 13. Note the responses to the questions raised during the budget consultation in Appendix 12.**
 - 14. Approve the proposed fees and charges schedule for 2024/25 at Appendix 13, subject to appropriate consultation where required.**
 - 15. Approve a level of supplementary estimate of £100,000 for 2024/25 as outlined in Section 18.**
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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 2024/25 will require a referendum if it is 3%, or more than 3%, above its 2023/24 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 Local Government Act 2003 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.

Sections 38-43 Localism Act 2011 set out the requirements that a Local Authority must publish an annual pay policy statement setting out the Authority's policies relating to the remuneration of its Chief Officers, its lowest paid employees and the relationship between the remuneration of the Chief Officers and other employees. It is up to the Authority to define who its lowest paid employees are. It must also include (a) the level and elements of remuneration for each Chief Officer, (b) remuneration of Chief Officers on recruitment, (c) increases and additions to remuneration for each Chief Officer, (d) the use of performance-related pay for Chief Officers, (e) the use of bonuses for Chief Officers, (f) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority, and (g) the publication of and access to information relating to remuneration of Chief Officers.

The Authority's Pay Policy Statement must be approved by a resolution of the Authority before it comes into force and the statement must be prepared and approved before the end of 31 March 2024 and each year thereafter. Amendments may be made within each year by the passing of a resolution. Once approved it must be published as the Authority sees fit and further pay determinations must be made in accordance with the policy.

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: Julie McCarthy, HR@cheltenham.gov.uk

1.4. Environmental and climate change implications

The final budget proposals for 2024/25, particularly in relation to energy usage, 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: Maizy McCann, Climate Emergency Officer

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 8.

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 of 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
Reduction in levels of temporary borrowing	None identified.

Repayment of principal debt to reduce annual revenue provision	None identified.
Income from MX profit share	None identified.
Income from EV charging points	None identified.
Income generated from property portfolio	None identified.
Disposal of property interests in line with the Council's Asset Management Strategy - cost savings and contribution to property resources	It is suggested that an equalities impact assessment is carried out on specific proposals that are brought forward following the approval of the Council's Asset Management Strategy 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.
Channel shift of services to digital platform	A number of services can now be accessed through the Council's digital platform. For each new digital customer option, customer testing will be undertaken to ensure that services can continue to be accessed by all. This mitigation should ensure no potential community or equality impacts of the changes.
HRA re-charge of uplifted annual audit fees	None identified.
Review and re-alignment of resources for discretionary services	It is suggested that an equalities impact assessment is carried out on specific proposals that are brought forward 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.
Review of the Council's facilities management services	The way in which the Council's Municipal Offices are used has changed significantly since before the pandemic. The Council operate in a smaller area of the office, agile working has been introduced, the Reception has been refurbished to be more fit for purpose and other partner organisations occupy the building to provide one place for customers and residents to access services. With the sale of the Municipal Offices expected in the medium term, any alternative arrangements for the location of the Council's services and operations will be subject to a separate EQIA.
Council office rationalisation	
Transition of housing services back in-house	This proposal is linked to the larger programme to transition the Council's housing services back in house following the Cabinet decision in October 2023 to wind up Cheltenham Borough Homes. Following the decision, the Council's Overview and Scrutiny Committee agreed to the establishment of a Scrutiny Working Group to provide additional governance to the programme. As part of the implementation of the decision, a Tenant and Leaseholder consultation has been undertaken and ended on 16 February 2024. The responses from this consultation will be considered to ensure the impact on communities will be minimised. An outline programme plan for the transition is due to be presented to the Cheltenham Borough Homes Board in February 2024 and includes a workstreams for tenant voice to ensure the level of service for tenants, leaseholders and our communities is not negatively impacted by the proposed changes.
Environmental Services Review	It is suggested that an equalities impact assessment is carried out on specific proposals that are brought forward 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.

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 2024. The consultation took place between the period 20 December 2023 to 26 January 2024 and this report sets out the final proposals for 2024/25.

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 2024/25 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2024/25. The full assessment is attached at Appendix 2.

6. 2023/24 Budget Monitoring to December 2023

6.1. The budget monitoring report to the end of December 2023 shows a slightly improved financial position when compared with the quarter two report presented to Cabinet in November. In November the projected overspend was £702k and this has reduced to £520k since the draft budget proposals were published for consultation. That being said, the forecast remains a net overspend against the original budget. It is proposed that general balances are used to offset the pressures continuing to be 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 2024/25 which was released by DLUHC on 5 February 2024.

7.2. The headlines from the Local Government Final Finance Settlement for Cheltenham in 2024/25 are:

- The referendum threshold for increasing the "Core" Band D Council Tax borough council precept to remain at £5 or 2.99%, whichever is greater.
- A New Homes Bonus payment of £88,876.

- A reduction in the Services Grant introduced in 2022/23 from £114,920 in 2023/24 to £19,839 in 2024/25.
- A one year 4% Funding Guarantee payment of £1,151,195 expected for 2024/25 only.

7.3. A new requirement for 2024/25 is for all Local Authorities to produce a productivity plan. The plans need to identify ways to unlock productivity improvements and setting out the key implementation milestones. Plans need to be published by July 2024, must be approved by Full Council and published on our website, together with updates on progress. The plans need to cover four main areas:

- transformation of services to make better use of resources;
- opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
- ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism; and
- barriers preventing activity that Government can help to reduce or remove.

7.4. In 2010/11, the Council received £8.8m of direct support from the Government in the form of grant income and baseline business rates funding. Had this continued at the same level the Council would have received £13m in real terms for 2024/25. This compares to actual funding of £4.6m in the final Local Government finance settlement – including the baseline guarantee of business rates income and other non-ringfenced grants. This represents a real time cut of £8.4m in Government funding to Cheltenham in 13 years.

7.5. The Council have bridged this gap through the implementation of the Commercial Strategy in 2015 and figure 1 below shows the success of this with only 2% of the funding for the 2024/25 budget coming from non-ringfenced Government grants. The commercial strategy has supported the growth in income from investment properties, growth in the Council Tax and Business Rate yield and gross income through regular review of the fees and charges for the Council's discretionary services.

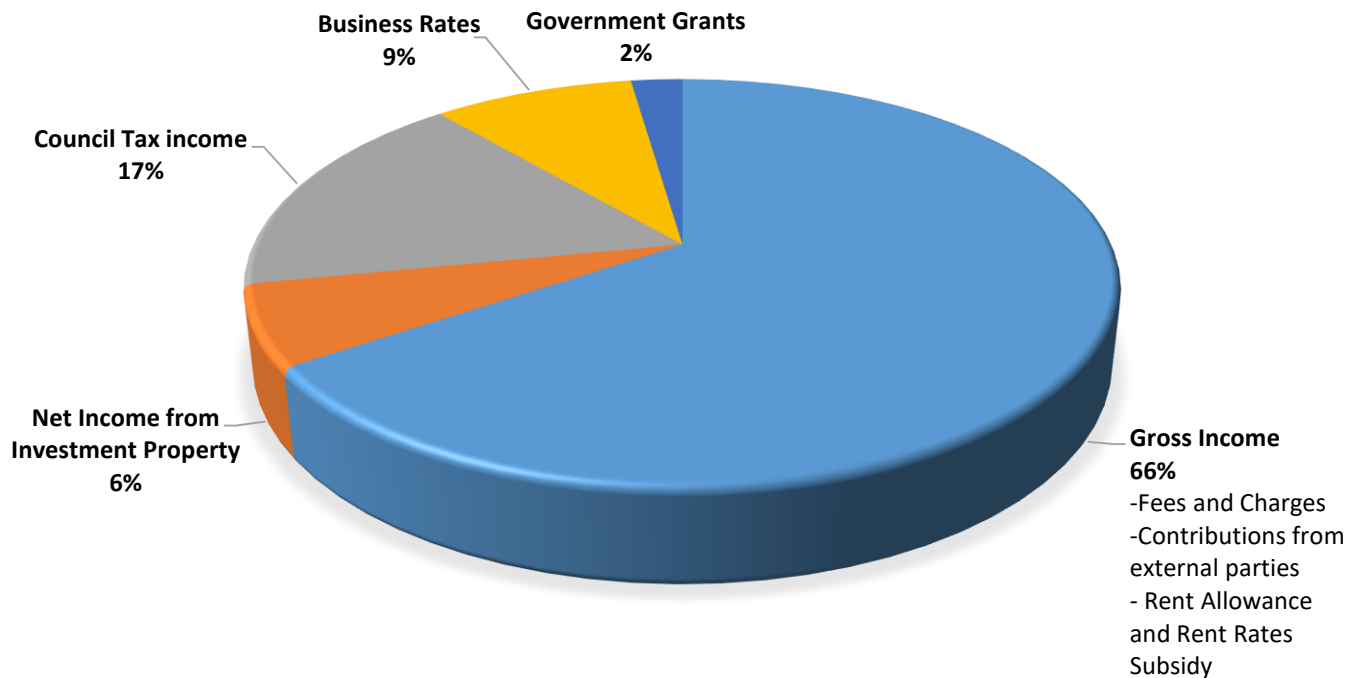


Figure 1: Funding of the Council's 2024/25 budget

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 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 Leadership team. The focused funding and business rate reliefs for specific sectors 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 2024/25 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 2024 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 £2.890m (revised estimate) and £2.912m in 2024/25.

	2023/24 Original 50% system £	2023/24 Revised 50% system £	2024/25 Original 50% system £
Retained business rates	23,769,071	23,769,071	24,288,060
Tariff payable to government	(20,991,879)	(20,991,879)	(21,783,146)
Grant to compensate for government decisions	4,181,908	4,045,605	4,459,746
Estimated levy payable to government after Pool surplus	(1,279,572)	(984,830)	(966,249)
Net retained business rates	5,679,528	5,837,967	5,998,411
Less Baseline Funding (target level of net retained rates)	(2,947,776)	(2,947,776)	(3,086,353)
Net surplus on business rates against baseline funding	2,731,752	2,890,191	2,912,058
Final Surplus/(Deficit) 2020/21	(542,148)	(542,148)	-
Final Surplus/(Deficit) 2021/22	967,084	967,084	-
Final Surplus/(Deficit) 2022/23	318,370	318,370	(167,244)
Estimated Surplus/(Deficit) 2023/24	-	-	(307,181)
One-off adjustments re previous years' deficits	743,306	743,306	(474,425)
Net retained business rates (after one-off deficit adjustments)	6,422,834	6,581,273	5,523,986
Transfer (to) / from BRR earmarked reserve	(250,000)	(358,609)	300,000
Net retained business rates	6,172,834	6,222,664	5,823,986

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 was increased in the 2023/24 Settlement to up to 2.99 per cent which has continued for 2024/25.
- 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 0.28% in 2024/25 against the target increase of 0.8%. In the medium term forecast for 2025/26 and beyond there is an assumed growth of 0.5% in the tax base per annum, slower than forecast growth before the pandemic. In the medium term forecasts, growth has been included from 2026/27 onwards to reflect the increases expected in the tax base from developments such as West Cheltenham and North West Cheltenham.
- 9.4. 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.
- 9.5. 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.
- 9.6. Therefore, the Cabinet is proposing a 2.99% increase in council tax in 2024/25; an increase of £6.90 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 small surplus on the collection fund in 2023/24, primarily arising from an increase in the tax base compared to that estimated in setting the budget in February 2023. Surpluses and deficits are normally shared out between the Council, County and Police and Crime Commissioner in the following year.
- 10.2. As a result of the collection fund's final position for 2022/23 an adjustment to the surplus is required which is paid to the collection fund in 2024/25. The 2022/23 adjustment and estimated 2023/24 surplus result in a Net Deficit due to the collection fund in 2024/25 of £8,042 for the Council.

11. The Cabinet's Budget Strategy for 2024/25

- 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. In February 2023, the Council approved a revised Corporate Plan for 2023-27 which included further detail of how the Council proposed to deliver of their ambitions in these core priority areas.
- 11.4. The budget proposals for 2024/25 are aligned to these priorities and 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.
- 11.5. 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 2023/24. Appendix 4 outlines the savings, efficiencies and additional income which will be generated in order to balance the budget and ensure funding is available to support the core activities in the Corporate Plan.

Cyber Capital of the UK

- 11.6. The Council have taken significant steps forward in our ambition to be the cyber capital of the UK over the past twelve months. Following the completion of the procurement to find a development partner to realise its flagship ambition to make Cheltenham the Cyber Capital of the UK, HBD were appointed in 2021/22. The major developments 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.
- 11.7. Even more significantly for the Council's direct development of the site, in September 2023 Council approved the Development Funding Agreement which plays a fundamental role in securing the delivery of two critical buildings; the National Cyber Innovation Centre and Mobility Hub. This agreement creates a framework which allows funding to be provided from a range of sources within an envelope of up to £95m.
- 11.8. Following this decision, the Council were notified in November 2023 that they have been provisionally awarded £20m from the Government's Levelling Up fund to support the delivery of the National Cyber Innovation Centre.
- 11.9. In the current climate, the Innovation Centre and Mobility Hub have a vital role to play in the delivery of the Golden Valley vision. They will provide business rate contributions to the council which will support the Medium Term Financial Strategy, protect tax payers' money in the long term, and play a vital role in building a stronger local economy with opportunities that will benefit the entire town.
- 11.10. This progress demonstrates a national commitment to the ambitions that the Council began work to make a reality following the purchase of the West Cheltenham land in 2019 with outline planning submitted in 2023/24. Throughout this year the Council have also continued its work to deliver the MX which will provide an arts and office space in the

Minster Quarter of the town, due to open in early 2024.

- 11.11. The council's ambition is for it to bring together high growth companies in the cyber tech, digital and creative sectors on the one part and academia and the wider community on the other to create the ideal platform for organic growth and collaboration in advance of the Cyber Innovation Centre delivery.

A net zero Council and borough

- 11.12. 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.
- 11.13. 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.
- 11.14. 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 will be completed in 2023/24 to upgrade the building management systems at all the Council's main buildings to reduce energy usage. In 2023/24 and continuing into 2024/25, a number of other capital projects have been initiated to deliver the activities on the plan.
- 11.15. In 2023/24, a capital budget of £75k was included for the delivery of EV charging points on our land and car parks. Work has progressed in 2023/24 with five sites being identified to be leased to a third party to deliver and manage the required infrastructure. Subject to consultation on the Car Parking Order it is expected that the first charging points will be operational by Summer 2024. This will also deliver additional rental income for the Council in line with our commercial strategy.
- 11.16. The Council successfully bid for funding through the UK Shared Prosperity Fund in 2022/23 and the projects included the delivery of a fixed power supply in Imperial and Montpellier Gardens. A project manager has been appointed to advise on the design and specification for the supplies and are currently working with National Grid to understand the capacity of the grid to support events such as the ice rink and Cheltenham Festivals.
- 11.17. The appointment of an Interim Director of Climate Change in October 2023 makes the next stage of the Council's journey to carbon net zero. Strategies are being reviewed for wider energy management and future investment requirements in our buildings to reduce their carbon footprint. Many of these can be delivered through the existing planned maintenance programme but others will require more innovative thinking. To support this, the climate change team budget has been protected as part of the savings and reserves strategy to ensure work can continue on this key priority.

Inclusive and Sustainable Economic Growth and Development

- 11.18. Despite the financial uncertainty caused by the pandemic and the 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's investments 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. The seed funding of which was built into the 2023/24 base budget.
 - Funding to refurbish Montpellier Gardens toilets to include a Changing Places facility and greater parity between male and female toilets.
 - 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.
- 11.19. 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 2022 Residents Satisfaction survey where 87% of respondents were satisfied with the town centre as a place to visit during the day.
- 11.20. The Council's Asset Management Strategy was approved in February 2022 and work has been underway since then 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 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.
- 11.21. The 2024/25 draft budget proposal includes two new revenue growth bids which support the sustainable and inclusive growth and development of the town. The first is an additional contribution of £123k for a new approach to planning and place shaping for the town. Cheltenham Borough Council, Gloucester City Council and Tewkesbury Borough Council, have joined together to progress a fresh approach to plan-making for our area in the form of the Cheltenham, Gloucester and Tewkesbury Strategic and Local Plan (CGTSLP). It will draw together four core elements (formerly the Gloucester, Cheltenham & Tewkesbury Joint Core Strategy - JCS, and the local plans for each of those areas) under a single examination setting out a long-term vision for where developments should and shouldn't happen.
- 11.22. The Cheltenham Trust currently deliver leisure and culture services on behalf of the Council. The Trust is responsible for running Leisure at Cheltenham, the Prince of Wales Stadium and some of Cheltenham's most iconic cultural venues – Cheltenham Town Hall, The Wilson and Pittville Pump Room. In September 2023 the Cabinet took the decision to extend the current management agreement for up to five years from 1 October 2024 when it will need to be fully re-tendered in line with our Procurement Regulations. The one-off growth item of £35k included in the budget will allow work to understand the options available to the Council in order that leisure and culture services can be re-tendered to maximise both opportunity and value for money for the residents of Cheltenham.
- 11.23. 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.

Savings, Efficiencies and Additional Income

- 11.24. The 2023/24 Medium Term Financial Strategy included an estimated budget gap for

2024/25 of £1.2m. In assessing the financial impact of the last twelve months, this budget gap has grown to £2.741m. This additional pressure of £1.541m is driven predominantly by both Ubico contract costs and the staff pay award both exceeding the forecast, an additional interest rate cost of £193k not foreseen in February 2023 and £300k of savings not being achieved in the current year. There is also £158k of additional growth built into the budget as detailed in Appendix 5.

- 11.25. Interest rates and energy costs are expected to stay high for at least one more year and although work will be undertaken to reduce the temporary borrowing exposed and to reduce energy usage which will provide financial benefit in the long term, the short term challenges are still required to be managed.
- 11.26. This is evident in the front loading of the budget gap, with 88% of the total five year gap being required to be delivered in 2024/25. From 2025/26, through effective management of the pension funding and investment in West Cheltenham and other key developments in the town there is sufficient growth projected to balance the budget. This strategy is about making sure that the Council has the financial resilience up to then to develop this economic growth in Cheltenham.
- 11.27. In line with the agreed approach on general balances and reserves, additional provision has also been made in the 2024/25 budget to strengthen these. All of these factors have increased the budget gap and subsequently the levels of savings and efficiencies we are required to make.
- 11.28. The proposals outlined in Appendix 4 have been grouped into four categories:
 - Debt management - using our available capital receipts to repay the principal of debt owed and reduce our reliance on temporary borrowing which is more sensitive to changes in the Bank of England base rate;
 - Implementation of our commercial strategy – to generate additional income from our assets and investments;
 - Continued work on the existing savings proposals to realign our resources with the Council's Corporate Priorities and deliver on savings proposals already approved by the Cabinet. This builds on work undertaken in 2023/24 to review all areas of discretionary spend in addition to the ongoing work to bring the Council's housing services back in-house; and
 - Review of our environmental services – as our largest single area of spend, we cannot deliver the efficiencies required to balance the 2024/25 budget without reviewing how the services are currently delivered. This includes costs directly incurred by the Council, the scope of services delivered through the Ubico contract and income generated from garden waste. The Council are committed to ensuring that all residents have access to recycling services but the rising cost of providing receptacles means delivery charges also need to be considered.

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 base rate increase is one of the most significant pressures our budget has seen over the past 18 months. When the draft budget paper was presented

to Cabinet last year the base rate was 3.5%, the highest since 2008. It was assumed based on treasury advice that this would increase to 4.25% in 2023/24. This forecast came to fruition in April 2023 and has increased three times since. The base rate is currently 5.25% and is expected to stay at this level throughout 2024/25.

- 12.3. The Council are forecast to have net borrowing of £186.017m at the end of 2023/24, compared to £167.328m at 31 March 2023. This includes borrowing for both the HRA and the general fund. The increase is driven by the HRA capital programme as well as a number of large cash outflows in 2023/24 such as the upfront payment of the secondary contributions to the pension fund which required temporary borrowing, a cheaper option than the fixed rate at the time.
- 12.4. As a net borrower, the speed of the rise in interest rates has created a budget pressure for the Council during 2023/24 and into 2024/25. It is forecast that the net impact of interest rate rises will require an additional £193k of revenue funding in 2024/25 which is included in the budget proposals. This is a decrease when compared to the 2023/24 budget where £587k of additional cost has had to be funded to cover the borrowings. The 2023/24 forecast is based on the Bank of England rate increasing to 4.25% and remaining there for the full twelve months which was obviously surpassed early in the Summer of 2023.
- 12.5. It is our £59m 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. The Medium Term Financial Strategy in Appendix 9 includes some analysis of the impact of reducing interest rates on our general balance projections. In January 2024, the Section 151 Officer took the decision to fix £20m of the existing temporary borrowing when the PWLB rates were at their lowest, effectively delivering the £200k proposed saving on treasury management activity in Appendix 4 well in advance of the start of the financial year.
- 12.6. There are expected to be fewer large financial commitments in 2024/25 as the MX will be completed and the lump sum of secondary contributions to the pension scheme made in 2023/24 will not be required. This means there will be more cash in the system and the requirement to take out short term temporary borrowing to cover cash outflows won't be necessary. More detail will be covered in the 2024/25 Treasury Management Strategy, which will be presented to the March 2024 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". A projection of the level of reserves to be held at 31 March 2024 and 31 March 2025 respectively is detailed in Appendix 7.
- 13.2. The level of our general balances through 2022/23 and 2023/24 has meant we have been able to cover overspends against our approved budget within the year. However, this leaves our general balances at levels lower than 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 general balances over the 2024/25 budget period.

14. Capital Programme

- 14.1. The capital programme for the period 2023/24 to 2026/27 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 2024/25 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 2024/25 property maintenance programme, which has 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 11 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. Consultation and feedback

- 1.1 The formal budget consultation on the detailed interim budget proposals took place over the period 20 December 2023 to 26 January 2024. 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 10 January 2024 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.

18. Supplementary Estimates

- 18.1. 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 2024/25 to be met from the General Reserve, the same level as in 2023/24.

19. Alternative options considered

- 19.1. 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.
- 19.2. 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.
- 19.3. 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.
- 19.4. 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.

20. Key risks

- 20.1. 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. Revenue Growth Items
6. Capital programme
7. Projection of reserves
8. Programmed Maintenance programme
9. Medium Term Financial Strategy (MTFS)
10. Flexible use of Capital Receipts Strategy 2023/24
11. Pay Policy Statement
12. Responses to the 2023/24 Budget Consultation
13. Fees & Charges Schedule for 2023/24
14. Climate Change Impact Assessment

Background information:

1. General Fund Revenue and Capital – Interim Budget Proposals – Cabinet 19 December 2023;
2. The Quarter two 2023/24 budget monitoring report to Cabinet – November 2023;
3. The final local government finance settlement for 2024/25:

[Final local government finance settlement: England, 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

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