

Cheltenham Borough Council

Council 22 July 2024

Financial Outturn 2023/24

Accountable member:

Councillor Alisha Lewis, Cabinet Member for Finance and Assets

Accountable officer:

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

Ward(s) affected:

All

Key Decision: No

Executive summary:

In accordance with financial rule A11.3, the Section 151 Officer is responsible for providing regular reports to the Cabinet on the Council's finances and financial performance. This report highlights the Council's financial performance and sets out the General Fund and Housing Revenue Account (HRA) revenue and capital outturn position for 2023/24. The information contained within this report has been used to prepare the Council's Statement of Accounts for 2023/24.

Financial rule B10.1 states that carry forward of planned underspend of revenue budgets into the following financial year will only be allowed with the agreement of the Section 151 Officer, in order to meet the needs of approved service delivery. Financial rule B10.3 states that all other carry forward requests, including budget underspends that have been carried forward in previous financial years, will be subject to full Council approval at the financial outturn meeting held after the year end.

The Council's Treasury Management Policy requires the Section 151 Officer to report to members annually, by the 30 September, on the treasury management activities and treasury management indicators for the previous financial year. This report also seeks to meet this requirement.

Under normal circumstances these recommendations would be presented first to the Cabinet for approval before being presented to Full Council. Due to the General Election on 4 July 2024, the dates for committees were amended and this report is instead being presented directly to Council for approval.

Recommendations:

- 1. That Council receives the financial outturn performance position for the General Fund, and notes that in delivering services in 2023/24, after the application of carry forward requests**

and following the use earmarked reserves, there was an underspend of £318 against the 2023/24 revised budget approved by Council on 23 February 2024.

2. Notes £508,081 of carry forward approved by the Section 151 Officer under delegated powers at Appendix 5.
 3. Notes the annual treasury management report at Appendix 7 and note the actual 2023/24 prudential and treasury indicators.
 4. Notes the capital programme outturn position as detailed in Section 7 of this report and Appendix 8, approve the carry forward of unspent budgets into 2024/25 and the inclusion of one new project in the 2024/25 capital programme with a total commitment of £170,000.
 5. Notes the year end position in respect of Section 106 agreements and partnership funding agreements at Appendix 9.
 6. Notes the outturn position in respect of collection rates for council tax and non-domestic rates for 2023/24 in Appendix 10.
 7. Receives the financial outturn performance position for the Housing Revenue Account for 2023/24 in Appendix 11 and approves the carry forward of capital budgets from 2023/24 into 2024/25 as set out in Appendix 12.
-

1. Implications

1.1. Financial, Property and Asset implications

As detailed throughout this report.

Signed off by: Gemma Bell, gemma.bell@cheltenham.gov.uk, 01242 264124

1.2. Legal implications

As detailed in the body of the report, the Council has adopted and complied with the CIPFA Code of Practice for Treasury Management in the Public Services. This provides assurance that investments are, and will continue to be, within its legal powers.

Signed off by: One Legal, legalservices@onelegal.org.uk, 01684 272012

1.3. Environmental and climate change implications

Key elements of the budget are aimed at delivering the corporate objectives in the Corporate Plan, including the climate change and net zero carbon priorities. The sustainability of general balances and earmarked reserves is vital to continue to work towards this objective.

Signed off by: Maizy McCann, Climate Change Officer

1.4. Corporate Plan Priorities

The actions outlined in this outturn report to support general balances, 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. Background

- 2.1. On 20 February 2023, Council approved the budget for 2023/24, including setting the Council Tax. The 2023/24 approved budget identified ambitious efficiency savings and additional income of £1.3m and was set at a time of huge financial uncertainty over the cost of living crisis with record increases in interest rates and a 40 year high in inflation. It also forecast that in 2023/24 a contribution of £152k would be made to strengthen the general balances after a torrid 2022/23.
- 2.2. The 2023/24 economic climate continued to be more challenging than anyone could have expected. Inflation rose from 6.7% when the final 2022/23 budget was approved to 11.1% in year and was still at 8.7% in June 2023 before stabilising. The Bank of England's decision to increase interest rates 13 consecutive times over the same period also continued to create a huge financial pressure for the Council who are a net borrower.
- 2.3. Throughout the year budget variances have been reported to Cabinet, most recently the 2023/24 revised budget which forecast an overspend of £521k against the original approved budget. This was predominantly due to the continued pressure on interest rates and inflation on our borrowing costs and demand in some services.
- 2.4. Although the overspends and pressures were significantly less than the £2.606m in 2022/23, the 2023/24 revised budget still relied on general balances to support the pressures which were forecast to reduce to £1.030m by 31 March 2024. This is a marked shift from the original budgeted contribution of £152k to general balances.
- 2.5. This means general balances are now significantly below the recent assessment of the optimum level of balances which was made at £1.660m in February 2024. With a general election just concluded and continued uncertainty over interest rate reductions, we are still in a position where spending commitments need to be reviewed and considered in line with General Fund balances to make sure the Council retains financial stability and is able to deliver the 2023-28 Corporate Plan.
- 2.6. This report draws together the financial outturn position for 2023/24 for the General Fund against the Revised 2023/24 budget. It also summarises the Housing Revenue Account (HRA) revenue and capital budgets, details reserve movements and summarises requests for carry forward of budgets approved by the Section 151 Officer under delegated powers.

3. General Fund Outturn 2023/24

- 3.1. The outturn position at 31 March 2024 reports an underspend of £318 against the revised budget approved in February 2024. This is after relevant earmarked reserves have been applied to fund budget overspends outlined in Appendix 4. The earmarked reserves are within the delegated authority of the Section 151 Officer and many of these will be replenished as part of the 2024/25 budget as required. The position of our earmarked reserves is outlined in Appendix 6.
- 3.2. A summary of the General Fund outturn position by directorate is contained in Appendix 2 and by service area in Appendix 3. Information is presented in the same format as used in the draft statement of accounts, in accordance with the CIPFA Code of Practice 2023/24.
- 3.3. The 2023/24 budget set another ambitious savings target of £1.3 million. £1.053m of this target was achieved through a variety of methods and work streams. The Council is committed to delivering value for money for its residents, and these savings will help to ensure that essential services can be maintained.
- 3.4. The general balance at 31 March 2024 is £1.030m which is below the optimum level assessed by the

Section 151 Officer in the Section 25 report to Council in February 2024. The medium term financial strategy approved by Council in February 2024 outlines the strategy for recovering this position.

4. Budget carry forward requests

4.1. At the year end, a number of budget holders requested ‘carry forward’ of unspent budgets. Requests fall into two categories and have been dealt with as follows:

- Some requests are in respect of goods and services ordered but not received by 31 March 2024.
- Some relate to items of expenditure not yet incurred due to slippage in work programmes but still planned to be spent in line with the original intention of the budget.
- Others are amounts of grant funding which have been allocated but not yet been taken up by their intended beneficiaries.

4.2. In line with previous practice, these have been reviewed by the Executive Leadership Team and approved by the Section 151 Officer, under delegated powers (financial rule B10.1). A list of the approved carry forward of budgets totalling £508,081 for which expenditure is in line with the original approved purpose, is contained in Appendix 5.

4.3. In accordance with the Service Reporting Code of Practice (SeRCOP), a transfer was made to a ‘carry forward’ reserve in 2023/24 (Appendix 6) and transfers will be made from the ‘carry forward’ reserve in 2024/25 to the appropriate cost centres in order that members and officers have a clear indication of the total budget, including carry forwards, available for 2024/25.

5. Treasury Management / Prudential Indicators

5.1. Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services. This Council has adopted the code and complies with its requirements, one of which is the receipt by Cabinet and Council of an Annual Review Report after the financial year end. The detailed treasury report is attached at Appendix 7.

6. Business Rates Retention Scheme (BRRS)

6.1. One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the Department for Levelling Up, Housing and Communities (DULHC). The NNDR1 return was submitted to DLUHC by the deadline of 31 January 2023 and the budget was based on the figures within that return.

6.2. The table below reflects the actual performance against the revised budget with an overall variance for the year of £103,715 when taking into account the Gloucestershire Business Rates pooling arrangement.

| | 2023/24 Original Budget £ | 2023/24 Revised Budget £ | 2023/24 Actual £ | 2023/24 Variance £ |
|---|--|---|---------------------------------|-----------------------------------|
| Retained business rates | 23,769,071 | 23,769,071 | 23,769,071 | - |
| Tariff payable to government | (20,991,879) | (20,991,879) | (20,991,879) | - |
| Grant to compensate for government decisions | 4,181,908 | 4,045,605 | 3,883,563 | (162,042) |
| Estimated levy payable to government after Pool surplus/deficit | (1,279,572) | (984,830) | (585,874) | 398,956 |
| Net retained business rates | 5,679,528 | 5,837,967 | 6,074,880 | 236,913 |
| Less Baseline Funding (target level of net retained rates) | (2,947,776) | (2,947,776) | (2,947,776) | - |
| Net surplus on business rates against baseline funding | 2,731,758 | 2,890,191 | 3,127,104 | 236,913 |
| Deficit adjustment re 2020/21 | (542,148) | (542,148) | (542,148) | - |
| Surplus adjustment re 2021/22 | 967,084 | 967,084 | 967,084 | - |
| Surplus adjustment re 2022/23 | 318,370 | 318,370 | 318,370 | - |
| Total One-off adjustments re previous years' deficits | 743,306 | 743,306 | 743,306 | - |
| Net retained business rates (after one-off deficit adjustments & LIGS) | 6,422,834 | 6,581,273 | 6,818,186 | 236,913 |
| Transfer (to)/from BRR earmarked reserve | (250,000) | (358,609) | (491,807) | (133,198) |
| Net income included in outturn | 6,172,834 | 6,222,664 | 6,326,379 | 103,715 |

7. Capital Outturn 2023/24

7.1. The outturn position in respect of General Fund capital programme is contained in Appendix 8. Members are asked to note the outturn position and, where there is slippage, approve the budgets to be carried forward into 2024/25 requested by officers.

7.2. Since the approval of the 2024/25 budget in February 2024, funding for one new project has been

approved by Council in May 2024 for investment in the decarbonisation of Leisure@ Cheltenham. The appendix includes one more additional project which is requested for approval. The project relates to car park resurfacing.

7.3. In line with the lease for the Regent Arcade an annual service charge is payable to Canada Life to operate the Regent Arcade car park. In addition to covering ongoing service charges we are also required to cover the cost of major works, including the resurfacing of the car park which is being undertaken in 2024/25. The impact of the recent fire at Regent Arcade is still being understood at the time of writing and any impact on this project or required budget will be included in our quarterly budget monitoring reports.

8. Reserves and Section 151 Officer Advice

8.1. The Section 151 Officer has, under delegated powers (financial rule B11.4), authority to make transfers to and from these operational reserves in accordance with the intention of the reserve as determined by the Council's Reserves Policy and Protocol. The transfers approved by the Section 151 Officer for 2023/24 are set out in the outturn performance position schedules at Appendix 2 and 3.

8.2. Appendix 6 also details the reserves held by the Council, states their purpose and indicates the balance at 31 March 2024. In setting the budget for 2023/24 a review of reserves was undertaken to assess whether the levels were appropriate and in line with the policy for reserves and balances; and also whether they took into account the needs and risks of the organisation and the prevailing economic conditions.

8.3. In assessing the adequacy of reserves and balances for 2024/25 the Section 151 Officer used a risk based approach to assess the appropriate level of general balances which calculated the optimum level to be £1.660m. At the year end, the General Fund Balance stands at £1.030m and therefore is below the optimum level recommended by the Section 151 Officer at year end – an impact of the pressures experienced since 2022/23 as the economy continues to go through a cost of living crisis with rising interest rates. As set out in Appendix 6 based on the current 2024/25 budget the objective is to increase general balances to £1.660m by the 31st March 2025 however this is contingent on delivering over £2.7m of approved savings in the year.

8.4. Members will need to be mindful that there will be an expectation to further strengthen these reserves in order that the Council is robustly covered against further financial pressures which may emerge or future changes to local government financial support. With the general election bringing uncertainty to any future central government support or multi-year settlements, it may be the case that that some difficult choices need to be made in respect of service provision.

9. Section 106 Receipts

9.1. A position statement in respect of the activity of Section 106 receipts is contained in Appendix 9.

9.2. The following summarises the activity in respect of Section 106 for 2023/24, compared to 2022/23.

| | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £ | £ |
| Balance of unused Section 106 receipts | 1,182,703 | 2,134,463 |
| Net additional receipts in year | 1,150,798 | 2,097,899 |
| Receipts used to finance projects in year | (199,038) | (241,891) |
| Balance outstanding at year end | 2,134,463 | 3,990,471 |

9.3. In 2023/24, there was a significant s106 contributions received for the Starvehall Farm development. This contribution is in relation to affordable housing and will be used to support the achievement of the Council's Corporate Priority to increase the number of affordable homes in our town.

10. Council tax and Business Rates Collection and Support

10.1. The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 10. This shows the position at the end of March 2024. The collection rate for council tax has increased slightly from 98.23% in 2022/23 to 98.32% in 2023/24. This is a positive result as the cost of living crisis continues to have an impact on households and the team are continuing to work with any customers who are struggling to pay. The collection rate for business rates collection has increased from 98.31% to 98.56% in the same period which also indicates the businesses in the town continue to successfully recover from the recent economic pressures.

11. Housing Revenue Account (HRA)

HRA Income and Expenditure

- 1.1 The HRA revised forecast for 2023/24 financial year, based on performance to December 2023, anticipated an operating deficit of £172,070 and it was expected that there would be a remaining balance of £1,331,930 in revenue reserves at 31st March 2024.
- 1.2 The outturn statement, as presented in Appendix 11, shows a larger deficit than expected of £568,100 for the year leaving a balance of £935,307 in revenue reserves at year end. This is the first occasion that the HRA balance has dropped below the target level of £1.5m however the decision to wind up Cheltenham Borough Homes and bring the housing services back in-house will generate significant savings which will strengthen the HRA revenue reserve in 2024/25 and 2025/26. It is expected that the target levels will be restored by 31 March 2026.
- 1.3 Below is an explanation of variances exceeding £50,000:

| Detail | Forecast £'000 | Actual £'000 | Variation £'000 | Explanation |
|---|-------------------|-----------------|--------------------|---|
| Repairs & maintenance | 5,574 | 5,764 | 190 | Increased use of agency staff and subcontractors due to higher demand and challenges in recruiting own operatives. Additional activity to complete electrical tests accelerating the transition from a 10 year to 5 year certification for residential properties to comply with new regulations. |
| Interest Rates | 2,538 | 2,760 | 222 | Higher temporary borrowing rate than forecast. |
| Depreciation of other Assets | 305 | 762 | 457 | Revaluation of HRA element of Golden Valley Development land. |
| Other variations less than £50,000 – net | | | 41 | |
| Reduction in Net Operating Surplus | | | 910 | |

Major Repairs Reserve

- 1.4 In accordance with regulations this reserve is funded by sums equivalent to the depreciation provision and has been used to finance HRA capital expenditure.

HRA Capital Programme

- 1.5 Actual expenditure for the year was £20,558,700, an underspend of £682k compared with the forecast of £21,240,000.
- 1.6 The three year programme approved by Council in February 2024 includes projects where expenditure plans span more than one financial year and are delivered through more than one contract. Where delays occur, for example through extended consultation with leaseholders or procurement issues, Cheltenham Borough Homes seek opportunities for advancing other projects within overall funding. Costs are controlled at both contract and project level.
- 1.7 Significant project variations from forecast (exceeding £250,000) are shown below:-

| Project | Forecast £'000 | Actual £'000 | Variation £'000 | Explanation |
|--|-------------------|-----------------|--------------------|---|
| Internal Improvements | 550 | 904 | 354 | Additional kitchen and bathroom replacements delivered through higher void property numbers and remedial DMC works (damp, mould, condensation) due to proactive approach taken by new team. |
| Neighbourhood Works | 601 | 273 | (328) | Delays in starting on site due to extended tenant consultation and adverse weather for Monkscroft neighbourhood works - rolled over into 24/25. |
| PV Installations and Sustainability Projects | 1,395 | 738 | (657) | Delays in finalising and signing off contract for external improvements term contract in Q4 rolling over Social Housing |

| | | | | |
|--|-------|-------|--------------|--|
| | | | | Decarbonisation Fund works into 24/25 |
| Major Refurbishment to Void Properties | 1,320 | 1,653 | 333 | Higher number of major versus minor void properties in the year requiring additional works such as plastering, asbestos removal and redecoration |
| Other net variances below £250,000 | | | (383) | |
| Total variance to forecast | | | (681) | |

11.1. Changes to the projected financing of the capital programme have primarily arisen from the reduction in overall spend and the availability of additional capital receipts and revenue contributions.

12. Consultation

12.1. Appropriate members and officers were consulted in the process of preparing the outturn position and associated reports and accounts. The outturn figures will also be presented for discussion at the Budget Scrutiny Working Group on 1 August 2024.

13. Key risks

13.1. As outlined in Appendix 1.

Report author:

Jon Whitlock, Chief Accountant jon.whitlock@cheltenham.gov.uk

Appendices:

1. Risk Assessment
2. Summary Outturn Performance Position – General Fund
3. Service Level Outturn Performance Position – General Fund
4. Significant Variances
5. Carry Forward Requests
6. Movement on Earmarked Reserves and General Balances
7. Annual Treasury Management review
8. Capital Programme – General Fund
9. Section 106 Receipts Statement
10. Council Tax and NNDR collection
11. HRA Operating Account
12. HRA Capital Programme and Major Repairs Reserve

Background information:

- Final Budget Proposal for 2023/24 – Council 20 February 2023
- Section 25 Report – Council 20 February 2023

- Final Budget Proposals including the Revised budget for 2023/24 – Council 23 February 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. | | |