

Cheltenham Borough Council

Cabinet Meeting – 24 September 2024

Budget Monitoring Report 2024/25 – position at 31.07.24

Accountable member:

Cllr Alisha Lewis – Cabinet Member for Finance and Assets

Accountable officer:

Gemma Bell - Director of Finance and Assets (Deputy Section 151 Officer)

Accountable scrutiny committee:

Budget Scrutiny Working Group

Ward(s) affected:

All

Key/Significant Decision:

No

Executive summary:

This report provides the monitoring position statement for the financial year 2024/25 against the budget approved by Council on 23 February 2024. The purpose of this report is to notify members of any known significant variations to the budget for 2024/25 and highlight any key issues.

Regular budget monitoring exercises for services are carried out in liaison with Directors and cost centre managers. The budget is also regularly discussed with the Lead Member for Finance and Assets and the Cabinet. One of the key purposes of this exercise is to identify any major variations from the current approved budget that are anticipated to occur in the financial year. Any variations of more than £50,000 to revenue budgets identified at 31 July 2024 are outlined in this report.

The 2024/25 budget forecast that £629,942 would be added to general balances by

the 31st March 2025. This monitoring report shows that we are currently reporting estimated overspend of £734,000. This means that if the forecast remains in this position by the end of the financial year we will need to make a further withdraw from balances and reserves to bridge our budget gap. This would potentially leave our general balances falling below £1m for the first time.

Recommendations: That Cabinet:

- **notes the contents of this report including the key projected variances to the general fund and Housing Revenue Account (“HRA”) 2024/25 revenue and capital budgets approved by council on 23 February 2024 and the actions to ensure overspends are reduced as far as possible by the end of the financial year.**
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1. Implications

1.1. Financial implications

As detailed throughout this report.

Signed off by: Gemma Bell, Director of Finance and Assets (Deputy s151 Officer), gemma.bell@cheltenham.gov.uk

1.2 Legal implications

None arising from the report recommendations.

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

1.3 HR implications

No direct hr implications arising from the report at this time.

Signed off by: Julie McCarthy, HR Consultant, julie.mccarthy@cheltenham.gov.uk

1.4 Environmental and climate change implications

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.

Signed off by: Maizy McCann, Climate Emergency Officer

1.5 Property/asset implications

None specifically directly arising from the recommendations.

Signed off by: Gemma Bell, Director of Finance and Assets, 01242 264124

1.6 Corporate policy framework implications

Taking action to ensure overspends are reduced as far as possible by the end of the financial year will help ensure that the council can continue to deliver its corporate objectives as set out in the 2023-2027 Corporate Plan.

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

2 Background

2.3 On 23 February 2024, Council approved the budget for 2024/25, including setting the Council Tax. The 2024/25 approved budget identified ambitious savings target of £2.741m.

2.4 This report draws together the Council’s budget forecast for 2024/25 at 31 July 2024 against the general fund revenue and capital budgets approved on 23 February 2024. It also summarises the Housing Revenue Account (HRA) revenue and capital budgets.

3 General Fund Net Revenue Budget Position

3.1 The current net forecasted overspend for 2024/25 is £734k. This is made up of the total budget variances against all the current service expenditure and the forecast position of the savings programme for 2024/25. Service expenditure is forecast to be underspent by £131k and the slippage on the savings programme is currently expected to be £865k. This means the net position on the budget at year end is currently forecast to be a £734k overspend. The table below details the breakdown of the variances against the approved budget with further explanation provided in Sections 3, 4 and 5.

Significant budget variances	Overspend / (Underspend) £	Para. Ref.
All Directorates		
Staffing Vacancies	(250,000)	4.1
Finance, Assets & Regeneration Directorate		
Bereavement Services	107,000	4.2

Housing & Communities	(21,000)	4.3
Property – Repairs & Maintenance	(47,000)	4.4
Housing Benefit – Rent Allowances	80,000	4.5
At Risk Savings	865,000	5.1 – 5.3
Total projected overspend for the year	734,000	

4 Base Budget Variances

- 4.1** Due to the vacancies being carried across the organisation, staffing budgets are £250,000 underspent for the first three months of the year. The organisation is working to integrate shared teams across the organisation following the transfer of housing services back into the Council on 1 July 2024. Consequently, a number of vacancies are being held within both the general fund and housing revenue account. The 2024/25 pay award for the NJC is still pending agreement with the outcome expected before the end of the calendar year. Our budget provision included a 4% increase in the majority of roles, with a 2% increase for senior management and an additional 1% contingency. The latest offer made to unions has been incorporated into the forecast but may be subject to revision, contingent upon the outcome of negotiations between the NJC and unions.
- 4.2** Bereavement services are currently forecasting a £107,000 overspend on the base budget. An additional investment of £80k is required to proceed with badger mitigation works due to a habitation that has occurred in a heavily memorialised area. Additionally, goods for resale are currently performing under budgeted levels, resulting in an overspend of £22,000 for the cost of sales. Furthermore, while the Plotbox system capital investment has been made, the revenue budget needs provision for maintenance and support, requiring an additional £16,000. These budgetary shortfalls amongst some small underspend net to a total anticipated overspend of £107,000.
- 4.3** Housing and communities is forecast to be £21,000 underspend as a result of a windfall grant received in 2024/25, part of the grant relates to activities we are delivering as part of the base budget and the funding can be used to offset our core costs.
- 4.4** Across the property portfolio there is a forecast underspend of £47,000. Repairs and maintenance budgets across our property portfolio have cost pressures due to the age of our properties. There have been significant remedial repairs at Recreation Centre and Swindon Road Depot already this year which are expected to continue to require budgets originally allocated to other sites. These overspends

are expected to be compensated for by a reduction in utility expenditure across the entire portfolio. We have pre-purchased the entirety of our anticipated usage for 2024/25 at much lower prices than in the previous two years and are not expecting to be impacted by price increases in October.

4.5 The housing benefits budget for rent allowances is currently forecast to be £80,000 overspent. Despite the transition from Housing Benefit to Universal Credit for many recipients, the overall annual Housing Benefit expenditure remains constant. However, the composition of this expenditure has changed, with a significantly higher proportion of claims coming from supported accommodation. The current Government policy is that supported accommodation managed by an organisation that is not a Registered Provider does not qualify to receive full Housing Benefit Subsidy. This means a greater contribution is required from the Council. Work is ongoing nationally to influence a change in the policy to ensure councils can continue to support residents in this type of accommodation without creating local financial pressure on other services. The Council are also working with the organisations in the town currently impacted by this policy to support their transition to become Registered Providers.

General Economic Pressures

4.6 Although there are a number of specific base budget variances outlined in the section above, we are still experiencing uncertainty across the budget where small changes in economic growth, customer demand or economic conditions could shift our forecasts significantly. Interest rates are still high but the base rate is reducing, slightly increased tonnages of recycling on the kerbside are generating more income than last year, customer engagement has begun in preparation for the ice rink event at Christmas and growth in the Council Tax base is expected in 2024/25 and 2025/26 as some of the larger developments move forward.

4.7 All of these areas are currently moving in a positive direction for the Council however remain highly volatile. Small positive or negative changes can have significant financial impacts on our budget and Councillors should be mindful that we should not become complacent as we move into the Autumn. General balances are still lower than the Section 151 Officer's assessment and need strengthening.

5 Delivery of the 2024/25 Savings Strategy

5.1 As part of the 2024/25 approved budget, a four-year savings strategy was approved which was weighted towards delivering £2.741m of base budget savings in 2024/25. This is an incredibly ambitious target, particularly in the current economic environment and the Council cannot afford complacency in the urgency of the delivery. Below is a table categorising the progress to date.

Description	Planned 2024/25 £	On track 2024/25 £	Risk
Debt Management			
Reduction in levels of temporary borrowing	200,000	-	High
Repayment of principal debt to reduce annual revenue provision	121,000	121,000	Low/Medium
Implementation of the Council's Commercial Strategy			
Income from MX profit share	100,000	-	High
Income from EV charging points	50,000	35,000	Low/Medium
Income generated from property portfolio	250,000	150,000	Low/Medium
Disposal of property interests in line with the Council's Asset Management Strategy - cost savings and contribution to property resources	150,000	150,000	Medium
Review of Resources against Corporate Plan			
Channel shift of services to digital platform	60,000	60,000	Low/Medium
HRA re-charge of uplifted annual audit fees	50,000	50,000	Low
Review and re-alignment of resources for discretionary services	200,000	50,000	High
Review of the Council's facilities management services	60,000	60,000	Medium
Sub Total	1,241,000	676,000	(565,000)
Transition of housing services back in-house	1,000,000	850,000	Medium
Environmental Services Review	500,000	350,000	Medium
Sub Total	1,500,000	1,200,000	(300,000)
Total	2,741,000	1,876,000	(865,000)

5.2 Action has already been taken by officers and Members on the £1.876m of savings forecast as on track in the table above and these will continue to be monitored through the rest of the financial year. The current expectation is that these will all be delivered and the budget adjustments made by 31 March 2025.

5.3 This significant work to do on £865k of savings which are forecast as red or, in the case of the environmental services review, where the plans do not cover the entire target for that area. In the case of the reduction in temporary borrowing and income from MX profit share, the pressures which remain on gilt prices and uncertainty on the cost of debt means that these savings are unlikely to be generated in year.

5.4 Likewise, although significant work has been undertaken on the transition of the housing services back to the Council and reviewing the cost of the environmental service, some of the financial benefits will not be experienced until 2025/26.

5.5 To offset this, Senior Officers have been working with the Cabinet to review spend across all service areas against the Corporate Plan to determine whether services can be delivered differently and ensure our resources are aligned with key priorities. Proposals and options will be discussed through September and October with action taken in advance of the 2024/25 revised budget being produced.

6 The 2023/24 Capital Programme

6.1 A monitoring exercise has been carried out to ensure that the capital programme, approved by Council on 23 February 2024, are being delivered as planned within allocated capital budgets, some of which are timetabled to straddle two or more financial years. The approved 2024/25 capital programme totals £10.579m. The total of the capital programme increased to £15.861m as part of the outturn report in July 2024 once unspent budgets were approved to be carried forward and two new projects were added. See Appendix 2 attached to this report for a breakdown of the individual capital projects.

6.2 At present, the capital projects are all forecast to be delivered on or under budget with only a small overspend variance based on the activity incurred to date and the planned activity until 31 March 2024.

6.3 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.

7 Community Infrastructure Levy (CIL) and Section 106 Contributions

7.1 In December 2023, the Council agreed to pool its strategic CIL monies with its Strategic and Local Plan partners Gloucester and Tewkesbury through the governance of a Joint Committee. The first meeting of the CIL Joint Committee will take place Autumn 2024 and will agree the prioritisation methodology for the future allocation of CIL monies. The total strategic CIL pooled across the three Councils is currently £15,441,761.75 to the end of quarter 1.

7.2 The parish element of CIL monies is paid directly to the Parish Councils, the neighbourhood element is held by the Council and spent on the community's behalf via the CIL Neighbourhood Panel. The last allocation of neighbourhood monies was made on the 22 June 2023 in which £128,355.00 was allocated across a range of neighbourhood projects. £65,472.26 of this allocation has already been spent leaving £62,882.74 committed. This CIL pot is currently being built up again ahead of a future allocation of funds, with another £52,884.31 added since 22 June 2023.

7.3 5% of CIL is allocated to the administration of CIL and this contributes to staff costs, purchase and management of software and supporting administrative activities.

7.4 Section 106 has over £3.990m carried over from 2023/24. The bulk of this sum is set aside for affordable housing and has to be spent between five and 15 years from when received. In relation to public art contributions, there are a number of commitments, one is against the Honeybourne project with a committed spend of £86,500. The project scope is currently being refined to ensure that the S106 outputs meet existing commitments. Maintenance, there is c. £3,000 of maintenance works be programmed for this year, the remainder will be spent next financial year following condition surveys. Play Spaces maintenance expenditure of £15,632 is to be spent within this financial year. The remaining £153,351 has to be spent within ten years from when it was received in November 2023.

7.5 See Appendices 4 & 5 for a breakdown of the amounts held in CIL and Section 106 contributions.

8 Housing Revenue Account

Revenue Budget

8.1 The current net forecasted housing revenue account surplus has reduced from £356k in the 2024/25 budget to £255k. The table below details the breakdown of the variances against the approved budget with further explanation provided below.

Significant budget variances	Overspend/(Underspend) £	Para. Ref.
Housing Revenue Account Income	46,000	7.2
Expenditure		
Repairs and Maintenance	51,000	7.3
Management Costs – housing service	(400,000)	7.4
Interest Payable	400,000	7.5
Net variances < £50,000	4,000	
Reduction in net operating surplus	101,000	

- 8.2** The forecast for dwelling rents is below budget due to a reduction in the number of acquisitions expected to be purchased this year from 25 to 18 (including 2 LAHF properties). There were five Right to Buy sales to the end of July which is in line with budget of 20 for the year. Two additional LAHF property acquisitions were completed on 20 June 2024 utilising additional Government grant funding.
- 8.3** In the repairs team, agency staff are being used to cover eight vacant positions in order that the programmed works can continue without delay. This has resulted in a forecast overspend on the budget.
- 8.4** The budget for housing services was set on the basis of a full CBH staffing budget. The savings related to the HRA for the transition of the housing service are currently estimated to be £400k for the year. This includes changes to the executive team, HR and governance.
- 8.5** In March 2024 a change was made to the calculation of loan interest to better reflect the interest payable on loans drawn down in the current year and internal borrowing between the General Fund and HRA. This approach was adopted following approval of the budget leading to a higher forecast interest charge in 2024/25.
- 8.6** The funding of the capital programme has been reviewed and in order to strengthen the HRA revenue reserve in 2024/25, the revenue contribution to capital costs has been reduced to zero. Alternative capital financing is available to the programme.
- 8.7** The current forecast will increase the HRA working balance from £936k to £1,191k. The reserve remains below our target of £1.5m due to additional costs in 2023/24 leading to a lower opening revenue reserve balance than originally budgeted. This is expected to partially recover in 2024/25 because of the savings generated from bringing the housing services back within the Council.

Capital Budget

8.8 The HRA Capital spend is currently forecast at £28,614k against a budget of £28,164k. This represents a £450k additional spend for the year. Further detail is included in Appendix 3. The three areas driving this variance are as outlined below:

- Internal improvements – the new term contract for internal improvements, including kitchens, bathrooms and void works, is expected to start in Q4 following delays in the procurement process. The programmed kitchen and bathroom renewals will therefore move back into 2025/26 and the following years.
- Fire protection works – a provision of £550k has been made to cover the

cost of additional fire protection works in the current year. This includes delivering existing outstanding fire risk actions as well as required remedial works from new compartmentation surveys and potential remedial actions from external cladding surveys to be undertaken this year.

- New Build – the budget includes expected works beginning on 320 Swindon Road, planning and design costs for Monkscroft Schools, market acquisitions and the Swindon Farm S106 scheme. The final draft contract for the Swindon Farm scheme shows an accelerated development period by the contractor compared to the original budget increasing the payments on account and completions expected in 2024/25. The total 4-year capital programme budget approved by Council in February 2024 has not changed, only the timing of the spend.

9 Conclusion

9.1 The current monitoring position of the 2024/25 budget 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.

9.2 The proposal to fund the projected overspend using balances and reserves will potentially mean general balances will fall below £1m for the first time. However, with the volatility of some of our budget areas outlined in this report, this is not a sustainable funding mechanism.

9.3 Balances and reserves have reached their lowest levels in years and we cannot continue to rely on finite resources to meet the budget gap without restoring reserve levels closer to their 2019/20 levels. 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.

10 Consultation

10.1 Appropriate members and officers were consulted in the process of preparing the monitoring position and associated reports and appendices.

11 Performance management – monitoring and review

11.1 The budget position will continue to be monitored by the Finance team throughout the year and a revised budget will be presented to the December Cabinet with the 2025/26 draft budget proposal. The Budget Scrutiny Working Group will also meet in the Autumn before the 2025/26 budget process begins.

Report author:

Jon Whitlock, Chief Accountant

Appendices:

1. Risk Assessment
2. General Fund Capital Programme Monitor to 31 July 2024
3. Housing Revenue Account Capital Programme Monitor to 31 July 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
	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
	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	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	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
	Strategy						and potential future under spends with a view to strengthening reserves whenever possible.		
	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 ability to grow the business rates in the town then the MTFS budget gap may increase.	ED Finance and Assets	5	4	20	Accept & Monitor	<p>The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates 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>	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 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 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.	ED Finance and Assets	Ongoing
	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	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	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
	funding streams.						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.		