

# Cheltenham Borough Council

## Cabinet – 26 November 2024

### Budget Monitoring Report 2024/25 – position at 30 September 2024

---

**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 30 September 2024 are outlined in this report.

The 2024/25 general fund budget forecast that £629,942 would be added to general balances by the 31<sup>st</sup> March 2025. This was based on a Section 25 report prepared by the Section 151 Officer which assessed the level of general balances required to support the budget as £1.662m. This monitoring report shows that we are currently reporting estimated overspend of £780,000.

This is due to a number of conditions set within the Section 25 risk assessment coming to fruition. In particular, although the Council have delivered £1.912m of savings in 2024/25 this is still less than 80% of the overall target in the Section 25 risk assessment. There are plans in place to deliver the remaining £829k of savings but these won't be realised until 2025/26. In the meantime, the assessment of the balance in the Section 25 report means we have made sufficient provision in the 2024/25 budget to allow for this. It is then expected that the 2025/26 budget will need to make provision for another contribution to general balances to offset this.

### **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.**
- 

## **1. Implications**

### **1.1. Financial implications**

As detailed throughout this report.

**Signed off by:** Gemma Bell, Director of Finance and Assets (Deputy s151 Officer),  
01242 264124

### **1.2. Legal implications**

None arising from the report recommendations.

**Signed off by:** One Legal [legalservices@onelegal.org.uk](mailto: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

- 2.1. 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.
- 2.2. This report draws together the Council's budget forecast for 2024/25 at 30 September 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 £780k. 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 £49k and the slippage on the savings programme is currently expected to be £829k. This means the net position on the budget at year end is currently forecast to be a £780k overspend. The table below details

the breakdown of the variances against the approved budget with further explanation provided in Sections 3, 4 and 5.

<b>Significant budget variances</b>	<b>Overspend / (Underspend) £</b>	<b>Para. Ref.</b>
<b>All Directorates</b>		
Staffing Costs	(450,000)	4.1
Planning	120,000	4.2
Bereavement Services	93,000	4.3
Car Parking	95,000	4.4
Investment Property Income	180,000	4.5
Treasury Management – Interest and Investment Income	146,000	4.6
Major Developments	(80,000)	4.7
Communities Team – Admin	(114,000)	4.8
Housing Benefit – Rent Allowances	160,000	4.9
Other < £50k	(199,000)	
<b>Base Budget Variances</b>	<b>(49,000)</b>	
<b>At Risk Savings</b>	829,000	5.1 – 5.5
<b>Net projected overspend for the year</b>	<b>780,000</b>	

#### **4. Base Budget Variances**

4.1. Due to the vacancies being carried across the organisation, staffing budgets are £450,000 underspent for the first six 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 has now been agreed and has also come in under the budgeted 4% increase in the majority of roles, with a 2.5% increase for senior management and an additional 1% contingency.

- 4.2. The planning budget includes income from both planning applications and pre planning advice. A key element of the Council's medium term financial strategy around is supporting applications for development from across the town in order to generate economic growth in Cheltenham. However, there are a number of delays to several larger applications in 2024/25, including the sale of Cavendish House and the outline application at Golden Valley, which have created a pressure of £120,000 on planning income against the budget.
- 4.3. Bereavement services are currently forecasting a £93,000 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, income is performing under budget levels, resulting in an overspend of £22k on the cost of sales. Furthermore, while the Plotbox system capital investment has been made to digitalise the service records, the revenue budget needs provision for maintenance and support, requiring an additional £16,000. These budgetary shortfalls amongst some underspend on utilities net to a total anticipated overspend of £93,000.
- 4.4. Car parking income is performing strongly compared to the two previous years, despite floor closures for resurfacing works in the Regent Arcade car park, although parking permit income is expected to be below budgeted levels. The net impact on both these areas is that the overall income generated from car parking is forecast to meet the current budget at year end. However, there is an ongoing pressure on the business rates we are currently paying for the car parks and an appeal has been submitted against the revaluation of the sites in April 2023. If this is not concluded by the end of the year this will create a £65,000 pressure on the expenditure budgets for car parking. Conversely if we are successful this could provide windfall income for the Council. In addition to this, there is a £30,000 pressure on the budget for credit card charges which reflects the changes in preferred payment method of our car parking customers.
- 4.5. The Council have a diverse portfolio of investment properties which includes retail, office space and a supermarket. The diversification of the portfolio meant the impact of the pandemic on the returns generated for the general fund were minimal. Ellenborough House is an office space in the town centre which has carried vacant space following changes to working habits which meant tenants reduced the space they had previously been leasing. A new tenant moved into occupation in June 2024 and rental income is now meeting the budgeted levels. However, there is some areas of vacant space for which the Council are currently bearing the cost of the service charge and business rates. Likewise, a number of tenants at the Municipal Offices have also reduced the space they are leasing. Together these pressures are forecast to create a £180,000 overspend on budgets in 2024/25. With the marketing of the Municipal Offices now underway, a programme team is being assembled to review the office accommodation

requirements for the Council in future with the objective of reviewing the future needs against options in our current portfolio.

- 4.6. While inflation has fallen significantly during the financial year, interest rates are not falling as quickly. The Bank Of England base rate was reduced from 5.25% to 5% in August 2024 which was the first reduction in 12 months. The November meeting of the Bank of England reduced this further to 4.75% however the 12 month forecast has now been revised and rates are expected to fall slower than when the budget was agreed in February. A number of our temporary borrowing deals are due to mature in November and some of the additional pressure will be mitigated by taking new deals at rates below 5%. The overall impact of the slower forecast is currently calculated to be £146,000 by year end, once the increased income from our investments is included. Our finance team, along with our treasury advisors are continuing to review options to reduce the impact of the high interest rates on our revenue budgets.
- 4.7. The Major Developments team is the lead officer team for the Golden Valley development and, since the transfer of housing services back under the direct control of the council on 1 July 2024, it is also leading on key housing development programme. The budget for Major Developments includes expenditure for professional services in order that these complex projects can call on specialist expertise when needed. However in 2024/25 it is not expected that all this budget will be needed and an £80,000 underspend is being forecast.
- 4.8. Over the last 12 to 18 months, the communities team have been successful in bidding for external funding from third parties to support our community engagement activities. A number of these funding streams allow for a proportion of the funding to be used to fund admin activities or are allocated to cover the costs of specific posts in the communities team. This means the delivery of these programmes of activities using the grant money reduces the net cost of the communities team by £114,000 in 2024/25.
- 4.9. The housing benefits budget for rent allowances is currently forecast to be £160,000 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 that 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 Council's 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.

## 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
<b>Debt Management</b>			
Reduction in levels of temporary borrowing	200,000	-	High
Repayment of principal debt to reduce annual revenue provision	121,000	121,000	Medium
<b>Implementation of the Council's Commercial Strategy</b>			
Income from MX profit share	100,000	-	High
Income from EV charging points	50,000	15,000	Medium
Income generated from property portfolio	250,000	165,000	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	Low/Medium
<b>Review of Resources against Corporate Plan</b>			
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	30,000	Medium
<b>Sub Total</b>	<b>1,241,000</b>	<b>641,000</b>	<b>(600,000)</b>
Transition of housing services back in-house	1,000,000	1,000,000	Medium
Environmental Services Review	500,000	271,000	Medium
<b>Sub Total</b>	<b>1,500,000</b>	<b>1,271,000</b>	<b>(229,000)</b>
<b>Total</b>	<b>2,741,000</b>	<b>1,912,000</b>	<b>(829,000)</b>

5.2. Action has already been taken by officers and Members on the £1.912m 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 £829k 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. The saving will be delivered in year through salary underspend and then fully accounted for in 2025/26 through the formal restructuring of many of our services.
- 5.5. In preparation for 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 continue to be discussed through the final quarter of the year to ensure that any unachieved savings in 2024/25 have clear plans for delivery in 2025/26.

## **6. The 2024/25 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 £15.867m 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 a total forecast spend of £5.539m in 2024/25. 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 took place on 12<sup>th</sup> November 2024 and agreed the prioritisation methodology for the future allocation of CIL monies. A further meeting of the Joint Committee is being scheduled January 2025; this meeting will make the first allocations from the strategic CIL monies available. The total strategic CIL pooled across the three Councils is currently £16,957,014.02 to the end of quarter 2.



- 7.2 In quarter 2, Demand Notices (Invoices) raised is over £5.7m which is in large part due to the commencement of a large development of 350 dwellings on the Shurdington Road within the Parish of Leckhampton and Warden Hill. This development is due to pay £5.38m in CIL over the next two years in accordance with the Council's adopted Instalments Policy with 10% becoming due in November 2024 and a further 30% in March 2024. The remaining amounts will be received in 2025/26 financial year.
- 7.3 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 Neighbourhood CIL element committed £128,355 in June 23. To date £78,855 has been paid out leaving £49,500. Since the 1st distribution in June 23, a further £85,070 has been received taking the carrying amount held at 30th September of £134,570.
- 7.4 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.
- 7.5 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.
- 7.6 See Appendices 4 and 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 £70k. The table below details the breakdown of the variances against the approved budget with further explanation provided below.

<b>Significant budget variances</b>	<b>Overspend/(Underspend) £</b>	<b>Para. Ref.</b>
Housing Revenue Account Income	155,000	7.2
<b>Expenditure</b>		
Repairs and Maintenance	227,000	7.3
Management Costs – housing service	(500,000)	7.4
Interest Payable	400,000	7.5
Net variances < £50,000	4,000	
<b>Reduction in net operating surplus</b>	<b>286,000</b>	

- 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 20 and a significant increase in the number of void properties awaiting remedial works. The resourcing of the void works is currently being reviewed with additional expertise being brought in to cover staff sickness, undertake the relevant works and get the properties re-let.
- 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 £500k 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 current forecast will increase the HRA working balance from £936k to £1,006k. 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 recover further in the final quarter of 2024/25 because of the savings generated from bringing the housing services back within the Council.

## Capital Budget

8.7. The HRA Capital spend is currently forecast at £28,684k against a budget of £28,164k. This represents a £520k 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 2024/25 general fund budget forecast that £629,942 would be added to balances by the 31<sup>st</sup> March 2025. This was based on a Section 25 report prepared by the Section 151 Officer which assessed the level of general balances required to support the budget as £1.662m. This monitoring report shows that we are currently reporting estimated overspend of £780,000.

9.3. This is due to a number of conditions in the Section 25 risk assessment coming to fruition. In particular, although the Council have delivered £1.912m of savings in 2024/25 this is still less than 80% of the overall target in the Section 25 risk assessment. There are plans in place to deliver the remaining £829k of savings but these won't be realised until 2025/26. In the meantime, the assessment of the balance in the Section 25 report means we have made sufficient provision in the 2024/25 budget to allow for this. It is then expected that the 2025/26 budget will

need to make provision for another contribution to general balances to offset this.

## **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 are also due to meet before the 2025/26 draft budget is released.

---

### **Report author:**

Gemma Bell, Director of Finance & Assets

### **Appendices:**

1. Risk Assessment
2. General Fund Capital Programme Monitor to 30 September 2024
3. Housing Revenue Account Capital Programme Monitor to 30 September 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
52	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	4	20	Reduce	<ul style="list-style-type: none"> <li>- Commercial strategy &amp; activities</li> <li>- Quarterly budget monitoring</li> <li>- Cabinet engagement - budget proposals</li> <li>- Increased capacity in the finance team</li> <li>- Cabinet Away Day challenge and decisions</li> <li>- Ongoing monitoring of targets for workstreams/services</li> </ul>	Director of Finance & Assets	Ongoing
403	Prioritisation of capital resources – If CBC are unable to prioritise medium term projects and programmes which require significant capital financing, then it will increasingly have to rely of borrowing to fund service	Cabinet	5	4	20	Reduce	<ul style="list-style-type: none"> <li>- Ongoing review and alignment of the capital programme with the Corporate Plan</li> <li>- Quarterly budget monitoring</li> <li>- Cabinet engagement - budget proposals</li> </ul>	Director of Finance & 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
	investments increasing the pressure on our revenue budgets to fund repayments.						<ul style="list-style-type: none"> <li>- Gateway reviews of all projects through the Corporate Programme office</li> <li>- Cabinet Away Day challenge and decisions</li> <li>- Business case and approval for all new projects, including allocation of resource and budgets</li> </ul>		
53	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	3	15	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.		
199	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	4	3	12	Reduce	<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>	Director of Finance & 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
CH1	If the housing revenue account becomes unviable then this may result in the council being unable to fund service delivery, investment in existing homes and the delivery of new housing.	Cabinet	4	2	8	Reduce	<ul style="list-style-type: none"> <li>- Ensure effective controls are in place.</li> <li>- Ensure effective controls are in place.</li> <li>- Ensure 30 year HRA financial model is in place and is reviewed and updated by regular stress testing.</li> </ul>	Director of Finance & Assets	Ongoing