

# Cheltenham Borough Council

## Cabinet – 17 December 2024

### General Fund Revenue and Capital – Interim Budget

### Proposals 2025/26 for Consultation

---

**Accountable member:**

Cllr Alisha Lewis, Cabinet Member for Finance & Assets

**Accountable officer:**

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

**Accountable scrutiny committee:**

Budget Scrutiny Working Group

**Ward(s) affected:**

All

---

**Key/Significant Decision:**

No

**Executive summary:**

This report sets out the Cabinet's interim budget proposals for 2025/26 for consultation.

The Council has faced unprecedented financial challenges over the last few years. The Council, like many residents and businesses across our town, diverted significant resources, and lost significant income, in responding to the COVID-19 pandemic. It now faces a new crisis, one of rising costs of service delivery and the tough challenge of trying to support the growing number of people in our town hit by the cost-of-living crisis. This is in addition to almost a decade of year-on-year cuts to the Council's Government funding.

Despite no real increase in government funding, the Council is being asked to do more, for less – both by central government itself and because of them, through our profound moral duty to step up and fill gaps in government provision. From schemes to support some of the most vulnerable people in our town, to our ambitious work mapping out a net zero future for Cheltenham, the Council goes above and beyond its minimum legal duties, day in day out, without regret, but at a significant financial cost.

**This budget, and the 2026/27 budget referenced in this report, set out a roadmap for recovery and revitalisation – not just for the Council’s finances, but for the services it delivers and the residents it supports.**

Since 2022/23, the Council has been required to find £5.548m of savings, which represents almost a third of the Council’s average annual budget.

To do this, it has needed to use the contingency provided by general balances to support the budget. This was a conscious decision, to free up the resources needed to deliver change across the organisation at unprecedented scale and speed, whilst reducing the impact on residents.

The assessment of the robustness of the balances made by the Section 151 officer at each budget cycle has meant budgets have made provision for this and savings have been able to be implemented in a robust and informed way. Although inflation has fallen and interest rates seem to be following, recovery is a slow and gradual process. As a result, general balances on 31 March 2025 are forecast to be at their lowest levels.

However, the Council’s decision to dip into general balances to facilitate change has freed up the time and resources needed to take key decisions around the delivery of our housing services, the sale of the Municipal Offices, the sale of the Council’s shareholding in Gloucestershire Airport and the development agreement for the National Cyber Innovation Centre, part of the Council’s nationally significant Golden Valley Development.

**All these projects will provide revenue efficiencies and capital resources, securing future economic growth for the town and supporting the long-term financial sustainability of the Council.**

The budget proposal included in this report for 2025/26 is the first budget proposal for nearly five years where the forecast level of contribution to general balances far exceeds the new savings required. In 2024/25 the budget required £2.741m of savings to be made to provide a £629k contribution to general balances. By contrast, in 2025/26 there are £500k of new savings and additional income required to contribute £1.238m to general balances and £1.159m to earmarked reserves.

Discipline will continue to be required to ensure this budget is fully delivered, but 2025/26 marks the first budget year in which the Council can be said to truly be starting its long-term recovery from the events of the last five years.

The assumptions within the interim budget proposals are based on estimates of what is likely to be contained within the Local Government Provisional Finance Settlement 2025/26 which is yet to be published at the reporting date. Following publication of

this report, if there is any additional information or documentation required to support the consultation, this will be made publicly available.

**Recommendations: That Cabinet:**

- 1. approves the interim budget proposals for consultation including a proposed council tax for the services provided by Cheltenham Borough Council. The proposed Council tax for 2025/26 represents an increase of 2.99% a year for a Band D property, subject to the publication and consultation on the Local Government Provisional Finance Settlement;**
  - 2. notes the schedule of target savings and income generation at Appendix 3;**
  - 3. approves the growth proposals at Appendix 4;**
  - 4. approves the proposed capital programme at Appendix 6, as outlined in Section 13;**
  - 5. following the publication of the Local Government Provisional Finance Settlement, delegates authority to the Deputy Chief Executive (Section 151 Officer), in consultation with the Cabinet Member for Finance and Assets, to determine and approve any additional material that may be needed to support the presentation of the interim budget proposals for public consultation;**
  - 6. seeks consultation responses by 31 January 2025.**
- 

## **1. Implications**

### **1.1. Financial, Property and Asset implications**

As detailed in the report.

**Signed off by:** Gemma Bell, Director of Finance & Assets (Deputy s151 officer)

### **1.2. Legal implications**

Under the Constitution Cabinet has responsibility for the preparation and consultation on the Council's budget. The final budget will be subject to consideration and approval by Full Council in February.

The Council must set a budget in accordance with provisions of the Local Government Finance Act 1992. The Council has a statutory responsibility to set and approve a balanced budget each year. Section 25 of the Local Government Act 2003 require that the Council, in setting its budget, must have regard to the

report of its Section 151 Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of its proposed financial reserves.

**Signed off by:** One Legal, [legalservices@onelegal.org.uk](mailto:legalservices@onelegal.org.uk), Tel no: 01684 272012

### 1.3. Environmental and climate change implications

The interim budget proposals for 2024/25, in particular in relation to energy use, are in line with our Climate Emergency Action Plan. A reduction in energy consumption, due to the energy efficiency improvements for Leisure@ will lead to a reduction in overall greenhouse gas emissions. The investment in the capital programme can also contribute towards decarbonisation, through the implementation of strategies to increase the longevity of our fixed asset and Warm and Well funding will promote home energy efficiency.

**Signed off by:** Maizy McCann, Climate Emergency Officer, [maizy.mccann@cheltenham.gov.uk](mailto:maizy.mccann@cheltenham.gov.uk)

### 1.4. Corporate Plan Priorities

The actions outlined in this budget proposal to implement savings and grow our commercial income will help ensure that the council can continue to deliver its corporate objectives as set out in the 2023-27 Corporate Plan. It also means we will be well placed to deliver the priorities in this new Corporate Plan which was presented to Council for approval in February 2023.

**Signed off by:** Ann Wolstencroft, Head of Performance, Projects and Risk, [ann.wolstencroft@cheltenham.gov.uk](mailto:ann.wolstencroft@cheltenham.gov.uk)

---

## 2. Equality, Diversity and Inclusion Implications

The proposals for the 2025/26 general fund revenue and capital budgets is focused on the delivery of the 2023-27 plan. Any savings or efficiencies to deliver the budget that require separate decisions will be subjected to their own equality impact assessments. An equality impact assessment for the decisions in this report is included in Appendix 9 and will be refreshed following the completion of the consultation period on 31 January 2025.

## 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. It is intended that this will be evidenced further in the publication of the Medium Term Financial Strategy in February 2025.

The delivery of the savings work streams included in the interim 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 2025. This report sets out the interim proposals for 2025/26.
- 4.2. The new Labour Government published their Local Government Finance Policy for 2025/26 on which was published on 28 November 2024. It contains mixed news for district councils. Taking into account all money allocated through the Finance Settlement and Extended Producer Responsibility payments, almost all district councils will receive a real-terms increase in funding in 2025-26. However, the overall increase in funding for districts will be lower than in the current year. There was also no additional new funding announced to help councils tackle the immediate financial pressure from temporary accommodation costs.
- 4.3. There remains a strong focus from Central Government on local tax generation to fund Local Authority services which is unchanged since the previous administration. This has driven our commercial strategy over the medium term, the objective of which is for this Council to become financially self-sufficient following significant cuts to revenue support from the Government since 2010.
- 4.4. At the time this report is published, the Local Government Provisional Finance Settlement has not yet been received from the Department for Housing, Communities and Local Government (MHCLG). The draft budget proposals include an estimation of the Provisional Finance Settlement for Cheltenham. Any significant changes to these estimates as a result of the Provisional Settlement or as an outcome of Government consultation will be clearly outlined in the final budget proposals.

## **5. Settlement Funding Assessment**

- 5.1. The funding of the 2025/26 interim budget proposal is based on our estimate of what will be included for Cheltenham in the Local Government Provisional Finance Settlement for 2025/26, which is expected to be released by MHCLG on 19 December 2024. Like the settlement for 2024/25, this is only expected to provide certainty over funding for one year only. The Government have

announced that 2026/27 will mark the first year of multi-year funding following a 'fair funding' review, for which consultation will begin in the Spring.

5.2. The key estimates we have made as to what will be included in the Local Government Provisional Finance Settlement for Cheltenham in 2025/26 are:

- The referendum threshold for increasing the "Core" Band D Council Tax borough council precept to remain at 2.99%, subject to further lobbying through the period of consultation.
- No further continuation of our Services Grant and a £369,499 reduction in our Minimum Funding Guarantee from £1,151,195 in 2024/25 to £781,696 in 2025/26.
- A final payment of £88,000 of New Homes Bonus, a small reduction in what was received in 2024/25.

5.3. These key estimates are based on the best information available to the Council from the Autumn Statement 2024, CIPFA updates and the Pixel Financial Models at the publication date of this report. Once the Local Government Finance Settlement is received, we will factor confirmed estimates and assumptions into the final budget proposals for February 2025 Council meeting.

## **6. The economic context for setting the 2025/26 budget**

6.1. The 2025/26 draft budget proposal has been set based on a set off assumptions about the economic outlook for the next 18 months. Inflation sat at 2.3% in October 2024, a rise compared to 1.7% the month before. Although inflation may be stabilising, levels over the previous two years have had a huge impact on our costs. The Local Government Finance Settlement has indicated that our funding will rise by 3.2% on average, however we are still playing catch up with three years when cost inflation far outweighed funding increases.

6.2. The Bank of England base rate increase is also one of the most significant pressures our budget has seen. When this paper was presented to Cabinet last year the base rate was 5.25%, the highest since 2008. It was assumed based on treasury advice that this would decrease to 4.25% in 2024/25. The base rate has fallen slightly to 4.75% in 2024/25 but is expected to reduce much more slowly than our previous estimates in 2025/26.

6.3. These economic factors place unprecedented pressures on our budget at a time when we are already facing uncertainty around our funding and the longer term resilience of our balances and reserves. Not only do we need to ensure there is sufficient capacity to meet these direct costs for the Council, but we also need to meet the increased costs of our partnership contracts to maintain the sustainable delivery of key services.

6.4. The starting point for setting the 2025/26 budget is the projected budget gap

from the September 2024 monitoring report and taking account the additional pressures expected through 2024/25 and 2025/26 including increases in Ubico contract costs, the pay award in 2025/26 and the application of any savings achieved in year.

- 6.5. As with the last two years, closing the budget gap is a huge challenge for the Council, but the challenge is being met by a proactive approach to reviewing the prioritisation of our resources and identifying budget efficiencies, carried out by the Cabinet and the Leadership Team.
- 6.6. The proposals within these budget papers aim to utilise our assets, skills and infrastructure to shape and improve public services and continue inclusive and environmentally sustainable economic growth in the Borough whilst providing a mechanism to ensure the Council has the revenue resources to continue to deliver services in the present economic climate.
- 6.7. As outlined in the Executive Summary of this report, the Council have taken decisive action since 2020 to safeguard the financial sustainability of the Local Authority. This has involved delivering significant savings in the base budget over a short period of time to ensure core services can continue to be delivered and medium-term financial sustainability of the Council can be assured.
- 6.8. In the previous three budget proposals, there has been continued commitment to the Council's corporate priorities; to inclusive and sustainable growth in the town and securing our future, to the goal of supporting the Council and the town to be net carbon zero by 2030, to delivering more housing across the borough and to our No Child Left Behind initiative.
- 6.9. The budget proposal included in this report for 2025/26 is the first budget proposal for nearly five years where the forecast contribution to general balances far exceeds the new savings required. The strategy to balance sustainable growth and investment with the financial sustainability of the Council means discipline will continue to be required to ensure this budget is fully delivered, but 2025/26 marks the first year where the Council starts its long term recovery from the events of the last five years.
- 6.10. Appendix 3 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.

### **Securing our future in Cheltenham**

- 6.11. The Council have taken significant steps forward in our ambition to be the cyber capital of the UK and secure the future of our town over the last two years. Following the completion of the procurement to find a development partner to realise its flagship ambition, HBD were appointed in 2021/22 to deliver the key infrastructure needed in West Cheltenham. 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.

- 6.12. Following this decision, the Council were notified in November 2023 that they were provisionally awarded £20m from the Government's Levelling Up fund to support the delivery of the National Cyber Innovation Centre. The continued commitment to this funding was confirmed by the new Government in September 2024 and the Council are expected to receive the first tranche of funding in March 2024.
- 6.13. As the project moves through the planning system, the Council need to make appropriate provision for any one off revenue costs of the operation of the Centre before full year income streams are established. Over the past ten years the Council have made voluntary overpayments on debt which total £1.625m at 31 March 2024. The 2025/26 budget proposal introduces an annual contribution of £200k to the Major Developments reserve to further support this and provide the financial resilience to operating the Innovation Centre in its first years.
- 6.14. With the current national Government focus on economic growth, 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.
- 6.15. 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. This was further strengthened in July 2024 when the Minister Innovation Exchange was opened in the town centre. Together with our partner Hub8 by Plexal, the workspace is ideally situated between the Wilson Art Gallery and Museum and the high street to create a more connected experience for local people.
- 6.16. 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. With occupation levels currently sitting at 75% within the first three months, the centre is well on its way to delivering this vision.

### **Inclusive and Sustainable Economic Growth and Development**

- 6.17. Despite the financial uncertainty caused by the cost of living crisis and speed of delivery of the required savings to support general balances, 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.
- 6.18. The Council's Asset Management Strategy was approved in February 2022 and work continues to review the strategic alignment of our £500m property portfolio to the Council's Corporate Priorities. The marketing of the sale of the Municipal Offices, the Council's shareholding in Gloucestershire Airport and a wider review of smaller value surplus assets is underway to make sure there are capital resources available to reduce our reliance on borrowing for future investment.
- 6.19. The 2025/26 draft budget proposal includes three new growth bids which support the sustainable and inclusive growth and development of the town. The first is an additional contribution of £129k for a new approach to planning and place shaping for the town. A key element of the Council's plan for future financial sustainability is delivering growth in our Council tax base. This growth will increase the proportion of our funding delivered by local tax and reduce our reliance on Government funding which has decreased significantly since 2010.
- 6.20. The key objective of the growth bid of £129k for our planning service is to build a resilient, multi-disciplinary end to end planning team. The new Labour Government agenda places planning front and centre to delivering their target of 1.5 million homes within this Parliament. There are a number of pipeline development projects across Cheltenham which are either in or about to enter the planning process. Whilst our current planning team have the ability and motivation to support this, our capacity to respond to the challenge at pace is currently limited.
- 6.21. The growth bid provides an additional seven posts in the planning team, all but one being full time. A review of the teams capacity has identified gaps in specialist skills such as urban design and placemaking which are currently procured when needed through consultancy support. There is also further investment proposed in planning enforcement. A proportion of the investment is funded by an increase in planning fees we expect to be enacted nationally through the National Planning Policy Framework (NPPF). This creates a net additional requirement of £129k.
- 6.22. As growth is dependent on changes to the NPPF, should these changes not be implemented by the Government the investment will be re-considered. Likewise, the scaling of the service will also be monitored against the overall planning income target which has underperformed in 2024/25. Again, should there be an issue with delivering the investment then any required budget

changes will be reported in line with the Council's financial regulations.

- 6.23. The second growth item in the 2025/26 budget proposals is £150k to increase the budget available for the ongoing repairs and maintenance at Leisure@Cheltenham. The leisure centre is managed by The Cheltenham Trust but within the management agreement and lease for the site, the Council retains responsibility for the utilities and repairs of the building. Over the previous two years the Council have experienced a significant increase in the volume of repairs reported at the centre. Due to budget restrictions issues which impact on health and safety and the core management of the building have been prioritised, leaving some areas with less immediate priority outstanding. This budget proposal is to support the property team to start to address these, in addition to the works included on the planned maintenance programme in Appendix 7.
- 6.24. In 2021/22, a £75k growth item was approved to recruit five new apprentices to the Council. This was part of a strategy to address some of the resilience issues across the workforce but also to provide opportunities for young people as the economy re-opened after the restrictions of the pandemic. This strategy has been highly successful and since September 2021 we have recruited two more cohorts of apprentices and two graduates who are completing professional qualifications as well as benefitting from on the job training. The £23k growth in 2025/26 is to support an additional graduate place, in addition to six new apprentices covered by the existing base budget.

### **Savings, Efficiencies and Additional Income**

- 6.25. The severe financial impact of the pandemic and cost of living crisis meant there has been little time to mobilise the levels of savings required in previous years without needing the contingency provided by our balances and reserves. It is only now, almost five years since the start of the pandemic, that the pressure on savings is reducing and we can confidently forecast general balances strengthening. This positions the Council strongly moving into 2025/26 to stabilise the revenue budget and realise capital receipts from the sale of the Municipal Offices and Gloucestershire Airport for re-investment in the town.
- 6.26. The 2024/25 Medium Term Financial Strategy included an estimated budget gap for 2025/26 of £0.3m. This was predicated on the full £2.741m of savings for 2024/25 being delivered and no additional growth in the budget.
- 6.27. In 2024/25 we expect to achieve £2.011m of the £2.741m target. Where there has been slippage in delivery, these savings need to be carried forward and delivered in 2025/26. This creates an initial target of £730k which has been risk rated in Appendix 3. The additional growth of £302k will also need to be offset by savings or additional income to make the significant contribution needed to general balances by 31 March 2026.
- 6.28. The majority of the additional savings is made up of an increase in the savings required from the transition of the housing services and additional commercial income. The housing transition saving has been calculated to offset the growth

bid increases in staffing to bring the net saving back to the original calculation of £1m. The additional income is expected to be realised from the closure of North Place car park expected in January 2025 following the approval of planning permission for housing development on the site. There are 270 car parking spaces in North Place which the Council will look to capitalise on by advertising our own town centre car parking offer.

## 7. Retained Business Rates

- 7.1. In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of risks and rewards and agreement of satisfactory governance arrangements. Continuation within the pool was delegated to the Section 151 Officer and Chief Executive and this is reviewed on an annual basis.
- 7.2. 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.
- 7.3. Cheltenham will not be part of the pooling arrangements for business rates in the Gloucestershire Business Rates Pool for 2025/26. This is because it is beneficial for Gloucestershire as a whole for Cheltenham not to be in the pool. Further details are documented in the decision taken by the Deputy Chief Executive on 29 October 2024.

<https://democracy.cheltenham.gov.uk/ieDecisionDetails.aspx?ID=3229>

In light of this decision arrangements and assurances have been made that Cheltenham will not be financially impacted as a result of not being in the pool. This will be reviewed again when considering pooling arrangements for 2026/27.

## 8. Council Tax

- 8.1. 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. Until the release of the 2023/24 Provisional Finance Settlement, the referendum threshold for council tax increases was 2 per cent for all local authorities. District Councils have been allowed increases of up to and including £5, or up to 1.99 per cent, whichever is higher.
- 8.2. 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.
- 8.3. In response to this, the Provisional Finance Settlement for 2023/24 increased the referendum threshold for District Councils to up to 3 per cent. This clearly demonstrated the mandate from central government for the reliance of council

tax to fund our local services and is expected to be continued by the new administration in the 2025/26 Provisional Local Government Finance Settlement.

- 8.4. The gross tax base is forecast to increase by 1.54% in 2025/26 against the target increase of 0.8% in the Medium Term Financial Strategy. This is a significant increase from the 0.23% forecast for 2024/25 which was included in the budget for the previous year. This growth is mainly driven by the decision taken by Council on 23 February 2024 to adopt the 100% premium for second home properties from 1 April 2025.
- 8.5. This growth is unlikely to be repeated year on year and the importance of increasing the tax base by enabling the building of more new homes in the town will be key to supporting our medium term financial position. This is one of the key drivers in the case for additional investment in our planning team which is outlined in the budget strategy section of this report.
- 8.6. 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. There has also been consideration of the affordability of an increase to residents where the results of the Residents Survey from 2022 found that 97% of respondents would support an increase in Council Tax that was below or in line with inflation.
- 8.7. The uncertainty surrounding the outcome of any 'fair funding' review by the Labour Government, business rates and the increasing pressure on costs continues to place significant reliance on council tax as our main source of income.
- 8.8. Therefore, at this stage the Cabinet is proposing a 2.99% increase in council tax in 2025/26, subject to any further information on changes being received in the Final Settlement.

## **9. Collection Fund**

- 9.1. Collection fund surpluses arise when the target collection rates from Council Tax is surpassed, normally as a result of additional new build properties in the year. Surpluses and deficits are normally shared out between the Council, County and Police and Crime Commissioner in the year after they are achieved. As a district Council we are eligible for a 11.68% share of these.
- 9.2. At this point in time, it is anticipated that there will be a surplus on the collection fund of around £65,000 in 2024/25 and £11,481 from 2023/24 which will both be distributed in 2025/26.

## **10. Treasury Management**

- 10.1. Appendix 2 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.

- 10.2. After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the 6-month period and have reduced slightly since April 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data.
- 10.3. With short term borrowing rates averaging 5.40% for the first six months of 2024/25, a decision was made on 24 September to replace £5m of General Fund temporary debt with a 10 year PWLB annuity loan at the rate of 4.30% to help reduce the burden of high interest costs. The following day we replaced a further £15m of HRA temporary debt with a 5 ½ year PWLB Maturity loan at the rate of 3.97%. The PWLB HRA rate which is 0.4% below the certainty rate which the General Fund receives is available up to June 2025. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans. Further opportunities to replace temporary debt with long term debt will be carried out as and when they arise.
- 10.4. Following the announcement in November 2024 that the Bank of England base rate had been reduced to 4.75%, our treasury advisors predict interest rates will fall over the next 8 months to 4.50% or even lower. For the first half of this financial year the Council has borrowed an average of £61.188m at a rate of 5.40%. As at the September 2024 the amount of short term debt was reduced by £25m by replacing it with PWLB Long term debt as outlined above.
- 10.5. We will continue to closely monitor the benefits of fixed vs. temporary borrowing as well as the performance of the Schroder income fund and when it is financially prudent to do so, will consider the climate implications of how we invest this money in the future.
- 10.6. We also invest to generate returns which support the costs of discretionary services such as leisure and culture. It is critical to get the right balance between social, environmental and financial factors when assessing the investments we make. Full Council noted in December 2024 that our exposure to gas and oil investments currently stood at £61k. This has reduced over the last twelve months from £120k.
- 10.7. This is part of the Schroder Income Fund and makes up 3.04% of the £2m we have invested in the fund. Given our current climate priorities, assurance was provided to Council that we are looking to take steps to ensure our investments are contributing to these goals.
- 10.8. We are committed in the longer term to divesting from oil and gas but need to balance these priorities with ensuring we are making the right financial decisions to safeguard our residents, businesses and communities.
- 10.9. There are expected to be some large capital receipts due to the Council between January and June 2025. This means there is expected to be more cash in the system and the requirement to take out short term temporary borrowing to cover cash outflows may not be required which will improve the

year on year position. More detail will be covered in the 2025/26 Treasury Management Strategy, which will be published in the spring.

## **11. Reserves**

- 11.1. 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”. This review forms part of the formal budget setting report to be presented to Council in February 2025. A projection of the level of reserves to be held at 31 March 2025 and 31 March 2026 respectively is detailed in Appendix 5.
- 11.2. The 2024/25 general fund budget forecast that £629,942 would be added to general balances by the 31 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. Appendix 5 shows that £247,822 is expected to be required from general balances in year.
- 11.3. 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 £2.011m 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 £730k 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.
- 11.4. By contrast, in 2025/26 there are £500k of new savings and additional income required to contribute £1.103m to general balances and £1.145m to earmarked reserves. This is expected to take general balances to £1.836m by 31 March 2025. Discipline will continue to be required to ensure this budget is fully delivered but 2025/26 marks the first year where the Council starts its long term recovery from the events of the last five years.
- 11.5. With this in mind, it is also recommended that any future underspends or fortuitous windfalls are earmarked for transfer to general balances. A new assessment of the robustness of the balances for 2025/26 budget will be presented to Council in February 2025 as part of the Section 25 report.

## **12. Capital Programme**

- 12.1. The interim capital programme for the period 2024/25 to 2028/29 is set out at Appendix 6.
- 12.2. 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 as set out in the budget strategy section above. With a strong pipeline of capital receipts from our asset management activities, this provides opportunity for both investment and service improvements.
- 12.3. 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 through a period when residents and businesses have faced rising costs as a result of inflation and interest rates.

- 12.4. A large number of the capital projects approved in previous years will be completed in 2024/25. From 2025/26, a much more streamlined capital programme is proposed which will focus our resources. In particular, following the approval of the Development Funding Agreement and funding envelope of £95m for the UK Cyber Innovation Centre which is outlined in the section above, this has now been profiled in the capital programme.
- 12.5. During the 2025/26 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.

### **13. Property Maintenance Programme**

- 13.1. The interim budget proposals include the 2025/26 property maintenance programme, which will be monitored by the Asset Management Working Group, and the budget includes a revenue contribution of £598k to planned maintenance, as detailed in Appendix 7.
- 13.2. The planned maintenance programme will be kept under review throughout the year, in particular there will be a focus on how we can use these existing projects to introduce more net zero measures into our buildings and across our property portfolio whilst also undertaking the detailed work to understand the larger changes which need to be made.

### **14. Fees and Charges**

- 14.1. A significant proportion of the council's funding comes from fees and charges. Within the Council's commercial strategy this is an important funding mechanism and one which is within the Council's gift to control, subject to any legislative, economic or political constraints.
- 14.2. However, as more reliance is placed on income there is increased pressure to understand current performance levels coupled with the risks and opportunities arising from each income stream whether it is new or existing. It is also important to consider how resilient each income stream is so that appropriate levels of mitigation can be put in place under a Reserves Strategy to meet dips arising when circumstances change.
- 14.3. Within the interim budget, a full schedule of the proposed fees and charges for 2025/26 has been included at Appendix 8. Some services have applied the full inflationary increase on their fees and charges with others applying a lower uplift

when market forces apply. The proposed changes are subject to the relevant steps being taken to follow legislative requirements.

## **15. Consultation and feedback**

- 15.1. The formal budget consultation on the detailed interim budget proposals for 2025/26 will be over the period 18 December 2024 to 31 January 2025. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Recovery Strategy and Corporate Plan and how they can be financed. The Budget Scrutiny Working Group and Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for January 2025 and any comments will be fed back to the Cabinet.
- 15.2. Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to allow consideration of their full implications and to enable them to be built into the budget.
- 15.3. All comments relating to the initial budget proposals should be returned to the Director of Finance and Assets (Deputy Section 151 Officer) by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Comments can be e-mailed to [moneymatters@cheltenham.gov.uk](mailto:moneymatters@cheltenham.gov.uk).
- 15.4. It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Director of Finance and Assets (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is captured.
- 15.5. Given the financial pressures and the potentially very difficult decisions which will have to be made, it is important that there is time for members to carefully consider and evaluate any alternative budget proposals. Political groups wishing to put forward alternative proposals are not obliged to circulate them in advance of the budget-setting meeting, but in the interests of sound and lawful decision-making, it would be more effective to do so, particularly given that they may have implications for staff.

## **16. Alternative options considered**

- 16.1. The budget proposals for the previous three years have all included challenging savings targets, the most recent in 2024/25 requiring a net reduction of £2.741m



in the base budget. This was needed as a result of the financial pressures experienced through the COVID-19 pandemic and subsequent cost of living crisis which meant action had to be taken quickly to ensure services could continue to be delivered by the Council.

- 16.2. The severe financial impact of both of these events meant there was very little time to mobilise the levels of savings required without needing the contingency provided by our balances and reserves. It is only now, almost five years since the start of the pandemic, that the pressure on savings is reducing and we can confidently forecast general balances strengthening. This positions the Council strongly moving into 2025/26 to stabilise the revenue budget and realise capital receipts from the sale of the Municipal Offices and Gloucestershire Airport for re-investment in the town.
- 16.3. 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.
- 16.4. 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 and have instead been able to apply continued focus to the ambitions of the 2023-2027 Corporate Plan. The 2025/26 budget proposal will put our Council in the most stable financial position since before the pandemic and, subject to a commitment to delivering efficiencies, provides the next step in the journey to financial self-sufficiency.

## **17. Key risks**

- 17.1. See Risk Assessment in Appendix 1.

---

### **Report author:**

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

Tel. 01242 264124; [gemma.bell@cheltenham.gov.uk](mailto:gemma.bell@cheltenham.gov.uk)

### **Appendices:**

1. Risk Assessment
2. Summary net budget requirement
3. Budget Savings / Additional Income
4. Growth Items

5. Projection of reserves
6. Capital programme
7. Programmed Maintenance programme
8. Provisional Fees & Charges Schedule for 2025/26
9. Equality Impact Assessment Screening

**Background information:**

1. 2024/25 Final Budget Proposal report to Council - 23 February 2024;
2. The Quarter two 2024/25 budget monitoring report to Cabinet – 26 November 2024;
3. The provisional local government finance settlement for 2025/26 – due 19 December 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 2025/26 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