

Cheltenham Borough Council

Cabinet 18 February 2025

Council 21 February 2025

General Fund Revenue and Capital – Final Budget Proposals 2025/26

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 and Overview and Scrutiny Committee

Ward(s) affected:

All

Key/Significant Decision:

Yes

Executive summary:

This report summarises the revised budget for 2024/25 along with the Cabinet's final budget proposals and pay policy statement for 2025/26.

Following the latest devolution white paper from central government, Cheltenham Borough Council faces profound existential questions: How long will we exist? Who will follow in our footsteps? And how can we safeguard decades of investment made by the people of Cheltenham, for the people of Cheltenham?

This budget was formulated before the government's plans were announced but begins to address this uncertain future. We are strengthening our reserves, giving ourselves options, and investing in what makes Cheltenham great, ensuring that future generations can continue to enjoy the very best of our town, whatever the future of local government holds.

These are challenging times for local government. Over the past few years, the Council has faced unprecedented financial pressures. Like many residents and businesses in our town, it diverted significant resources and lost substantial income while responding to the COVID-19 pandemic. This was followed by a new crisis—rising service delivery costs and the challenge of supporting a growing number of residents affected by the cost-of-living crisis. These pressures come on top of nearly a decade of year-on-year cuts to the Council's government funding.

Our future funding from central government is even more uncertain. As with 2024/25, the 2025/26 Final Budget Settlement provides certainty for just one year. The government has announced that 2026/27 will be the first year of multi-year funding following a 'fair funding' review, with consultation beginning in the spring. In the short term, this review creates further uncertainty, as the government has not ruled out changing or cutting any funding mechanisms from its scope.

Despite no real increase in government funding, the Council is being asked to do more with less—both by central government itself and out of a profound moral duty to fill gaps in government provision. From supporting Cheltenham's most vulnerable residents to mapping out a net zero future, the Council consistently goes beyond its legal duties—day in, day out—without regret, but at significant financial cost.

This budget, and the 2026/27 budget referenced in this report, set out a roadmap for recovery whilst providing a foundation on which changes to our funding can be navigated.

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 budget for 2025/26 outlined in this report is the first budget proposal for nearly five years where the forecast level of contribution to balances and reserves 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 £560k to general balances and £939k to earmarked reserves.

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 below optimum levels once more.

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.

Discipline will continue to be required to ensure our financial position is secure in the medium term, but 2025/26 marks the first budget year in which the Council can be said to truly be starting its recovery from the events of the last five years.

Recommendations: Cabinet recommends that Council:

- 1. Approve the revised budget for 2024/25 which is reported as part of the budget monitoring process for 31 December 2024 in Section 6 and Appendix 17.**
- 2. Consider the budget assessment by the Section 151 Officer at Appendix 2 in agreeing the following recommendations.**
- 3. Approve the final budget proposals including a proposed council tax for the services provided by Cheltenham Borough Council of £244.79 for the year 2025/26 based on a Band D property (an increase of 2.99%), as detailed in paragraphs 9.1 to 9.6.**
- 4. Approve the savings / additional income totalling £1,130,000 and the budget strategy at Appendix 4.**
- 5. Approve the revenue growth items totalling £392,647 at Appendix 5.**
- 6. Approve the capital programme at Appendix 6.**
- 7. Approve the use of reserves and general balances and note the projected level of reserves, as detailed at Appendix 7.**
- 8. Approve the programmed maintenance programme at Appendix 8.**
- 9. Approve the Medium Term Financial Strategy (MTFS) detailed in Appendix 9.**
- 10. Approve the flexible use of capital receipts strategy as detailed in Appendix 10.**
- 11. Note that the Council position in relation to the Gloucestershire business rates pool for 2025/26.**
- 12. Approve the Pay Policy Statement for 2025/26, including the continued**

payment of a living wage supplement at Appendix 11.

13. Note the responses to the questions raised during the budget consultation in Appendix 12.

14. Approve the proposed fees and charges schedule for 2025/26 at Appendix 13, subject to appropriate consultation where required.

15. Approve the Minimum Revenue Provision Policy 2025/26 at Appendix 14;

16. Approve a level of supplementary estimate of £100,000 for 2025/26 as outlined in Section 18.

Based on the information included in Section 15 of this report:

17. Approve the delivery of the Mobility Hub as a single-phase construction and increase the Councils commitment under the Development Funding Agreement to facilitate this change.

18. Note that a single-phase delivery is forecast to generate a further £4.8m in land receipts to the Council.

19. Note that despite an increased funding commitment under the Development Funding Agreement, this is more than offset by the provision of £20m in Levelling Up Funding; overall borrowing is circa £10.6m lower than previously approved.

20. Delegate Authority to the Deputy Chief Executive (Section 151 Officer) in consultation with the Cabinet Member for Major Developments and Housing Delivery to finalise the terms of a Deed of Variation to the Development Funding Agreement.

1. Implications

1.1 Financial implications

As detailed in the report.

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

1.2 Legal implications

The budget setting process must follow the Council's Budget and Policy Framework Rules.

Members are not generally regarded as having a personal or prejudicial interest in the setting of the council budget and council tax. However, any member who

is in arrears of council tax needs to give careful consideration to the provisions of section 106 of the Local Government Finance Act 1992. This states that if any arrears remain unpaid for at least two months then the member must disclose this at the beginning of the meeting, which is to consider the council tax calculation and shall not vote on the matter. It is a criminal offence to disregard this requirement. Any member likely to be in such a position should seek advice as quickly as possible from the Monitoring Officer.

There is a legal requirement under the Local Government Finance Act 1992, sections 31A and 42A to set a balanced budget. The budget proposals include budgets for expenditure and income and use reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure in accordance with the Medium Term Financial Strategy.

Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements.

The Act also contains requirements for local authorities to hold a referendum where council tax is proposed above specific levels. The relevant basic amount of council tax in 2025/26 will require a referendum if it is 3%, or more than 3%, above its 2024/25 level.

This means that a shire district authority will need to exceed the percentage referendum thresholds in order to be subject to a referendum.

Section 25 of Local Government Act 2003 requires the Authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.

By approving the budgets for the capital programme, Cabinet are making key decisions as to the use of the budget. Consequently, the acceptance of tenders in excess of £100,000 by the lead member (or officers if authorised under the constitution) for contracts required to deliver works, services and supplies under the approved budget headings, will not be key decisions.

In accordance with the Council's approved Investment Strategy, the Council is able to lend money to support local public services and stimulate local economic growth. These include loans to organisations and residents within the Borough which support the priorities of the Council.

Sections 38-43 Localism Act 2011 set out the requirements that a Local Authority must publish an annual pay policy statement setting out the Authority's policies relating to the remuneration of its Chief Officers, its lowest paid employees and the relationship between the remuneration of the Chief Officers and other employees. It is up to the Authority to define who its lowest paid employees are. It must also include (a) the level and elements of remuneration for each Chief Officer, (b) remuneration of Chief Officers on recruitment, (c) increases and additions to remuneration for each Chief Officer, (d) the use of

performance-related pay for Chief Officers, (e) the use of bonuses for Chief Officers, (f) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority, and (g) the publication of and access to information relating to remuneration of Chief Officers.

The Authority's Pay Policy Statement must be approved by a resolution of the Authority before it comes into force and the statement must be prepared and approved before the end of 31 March 2025 and each year thereafter. Amendments may be made within each year by the passing of a resolution. Once approved it must be published as the Authority sees fit and further pay determinations must be made in accordance with the policy.

Signed off by: One Legal, legalservices@onelegal.org.uk, Tel no: 01684 272012

1.3 HR implications

Relationships with the two recognised trade unions continue to remain very positive. The Executive Leadership Team and the HR team will continue to work closely with TU colleagues in order to ensure that any potential impact on employees as a result of realisation of budget savings are kept to a minimum.

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

1.4 Environmental and climate change implications

The final budget proposals for 2025/26, particularly in relation to energy usage, are broadly in line with our Climate Emergency Action Plan. A target reduction in energy consumption will lead to a corresponding decrease in greenhouse gas emissions, which aligns with our Climate Emergency Action Plan objectives. The investment set out in the capital programme and through the countywide Climate Co-ordinator role will help progress countywide carbon reduction initiatives. However, increased revenue investment is needed to maintain progress against the actions set out in the Climate Emergency Action Plan and this will continue to present a challenge for the council's budget without further funding support from central government.

The expenditure of allocated budgets within all services will be assessed using the Climate Impact Assessment Tool, which has been formally adopted by Cabinet, to help ensure that projects and policies are effectively aligned to the council's commitments on climate change, as well as other key social and environmental priorities.

Signed off by: Maizy McCann, Climate Emergency Officer

1.5 Property/asset implications

As detailed in the report and appendices, specifically the capital programme in Appendix 6 and the planned maintenance programme in Appendix 8.

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

1.6 Corporate policy framework implications

The actions outlined in this final budget to implement savings and grow commercial income will help ensure that the Council can continue to deliver its corporate objectives as set out in the revised Corporate Plan for 2023- 2027.

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

2. Promoting equality and reducing discrimination

The proposals for the 2025/26 general fund revenue and capital budgets are focused on the delivery of the 2023-27 corporate 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 screening is included in Appendix 15.

3. Performance management – monitoring and review

The budget savings outlined in this report will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from the delivery of services to the delivery of savings. There are regular progress meetings to monitor the delivery of savings and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised.

The delivery of the savings work streams included in the final budget proposals, if approved by full Council will be monitored by the Budget Scrutiny Working Group and reported quarterly to the Cabinet.

4. Background

4.1 In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2024. The consultation took place between the period 18 December 2024 to 31 January 2025 and this report sets out the final proposals for 2024/25.

5. Budget Assessment of the Section 151 Officer

5.1 Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering

its budget, council tax and housing rents (see separate report on Housing Revenue Account to Council) covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting.

5.2 The Section 151 Officer is satisfied that the proposed budget for 2025/26 has been based on sound assumptions and that the Council has adequate reserves to fund operations in 2025/26. The full assessment is attached at Appendix 2.

6. 2024/25 Budget Monitoring to January 2025

6.1 The budget monitoring report to the end of January 2025 shows negative movement of £138,342 when compared with the draft revised budget presented to Cabinet in December. However the surplus of £130,388 generated on the collection fund in 2024/25 will be transferred to the earmarked reserves at the end of the financial year to provide some resilience against any deficits in future years.

6.2 This means the net movement on the 2024/25 revised budget between the draft and final is £268,730. A breakdown of this is included in Appendix 17. In order to support this position as well as providing a robust foundation for any changes to Government funding, a reclaim of previous overpayments of debt has been made in 2024/25. Further details are outlined in Section 11 of this report and Appendix 14.

7. Settlement Funding Assessment

7.1 The assumptions within these budget proposals are based on the local government 'final' finance settlement for 2025/26 which was released by MHCLG on 3 February 2025.

7.2 The headlines from the Local Government Final 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 £5 or 2.99%, whichever is greater.
- No further continuation of our Minimum Funding Guarantee and instead a Funding Floor payment of £756,789, down from £781,696 in 2024/25
- A final payment of £87,479 of New Homes Bonus, a small reduction in what was received in 2024/25.
- A National Insurance Contribution Grant of £219,405 towards the increased contributions required for directly employed staff
- A new funding stream of £1.345m to fund new responsibilities under Extended Producer Responsibility for packaging.
- A Revenue Support Grant payment of £190,053

7.3 Like 2024/25, the 2025/26 Final Budget Settlement only provides 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 (FFR), for which consultation will begin in the Spring. This creates more uncertainty in the short term on funding streams such as business rates which has been factored into the Medium Term Financial Strategy in Appendix 9.

7.4 The objective of the FFR is to review the underlying needs formula and distribution methodology used for assessing need and allocating funding to Local Government. The formula has not been reviewed since 2013 and is expected to be closely linked with the principles in the Government's Devolution White Paper published in December 2024.

7.5 The intention has been for each local authority to be set a new baseline funding allocation based on an assessment of relative needs and taking into account their relative resources. The timeline for its introduction is currently 1 April 2026 and the Government have committed to putting in place transitional arrangements to 'smooth' the impact, referred to as 'damping'.

7.6 In assessing relative resources, the Government has not indicated that any funding is out of scope. This could therefore also include reviewing levels of council tax and how Local Authorities set fees, charges and generate income from their asset base. This creates significant uncertainty on almost every area of funding for our budget.

7.7 The impact on our current MTFS is that from 2026/27 onwards we have been prudent in our assumptions on the funding available. The funding set out in the 2025/26 Settlement is guaranteed for one year only and there is no certainty over whether these will continue and at what level for Cheltenham. We have assumed that no new additional funding will be available from 2026/27 to replace the current levels, with the exception of the employer national insurance contribution increase which is expected to continue.

8. Business Rates Retention (BRR)

8.1 In October 2012, Council approved the principle of Cheltenham joining the Gloucestershire Business Rates Pool, subject to a thorough assessment of 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.

8.2 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.

8.3 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>

8.4 In light of this decision, arrangements and assurances have been made to ensure 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. The estimated benefit to Cheltenham from pooling is £600,000 which has been factored into the 2025/26 budget.

8.5

One of the key documents in the budget setting process is the estimate of business rates yield, reported on the National Non Domestic Rates return (NNDR1), which is submitted to the DLUHC. The NNDR1 return was submitted by the deadline of 31 January 2025 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and the estimated net surplus from retained business rates against the baseline funding position in 2024/25 is £3,032m (revised estimate) and £3.266m in 2025/26.

	2024/25 Original 50% system £	2024/25 Revised 50% system £	2025/26 Original 50% system £
Retained business rates	24,288,060	24,288,060	25,663,354
Tariff payable to government	(21,783,146)	(21,783,146)	(22,138,721)
Grant to compensate for government decisions	4,459,746	4,513,280	3,810,409
Estimated levy payable to government after Pool surplus	(966,249)	(899,603)	(945,791)
Net retained business rates	5,998,411	6,118,591	6,389,251
Less Baseline Funding (target level of net retained rates)	(3,086,353)	(3,086,353)	(3,123,035)

Net surplus on business rates against baseline funding	2,912,058	3,032,238	3,266,216
Final Surplus/(Deficit) 2022/23	(167,244)	(167,244)	-
Final Surplus/(Deficit) 2023/24	(307,181)	(307,181)	(595,779)
Estimated Surplus/(Deficit) 2024/25	-	-	(370,383)
One-off adjustments re previous years' deficits	(474,425)	(474,425)	(966,162)
Net retained business rates (after one-off deficit adjustments)	5,523,986	5,644,166	5,423,089
Transfer (to) / from BRR earmarked reserve	300,000	169,612	(253,985)
Net retained business rates	5,823,986	5,813,778	5,169,104

9. Council Tax

- 9.1. Government legislation, through the Localism Act, requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. The referendum threshold for council tax for shire districts since 2023/24 has been the higher of £5, or up to 2.99 per cent.
- 9.2. With increased pressures caused by the pandemic and the recent increase in inflation and other operational costs, it continues to be difficult to deliver current levels of services when government support does not cover all additional costs we expect to incur. To this end, there is a clear mandate from central government for the reliance of council tax to fund our local services.
- 9.3. The 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.
- 9.4. 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.

- 9.5. 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.
- 9.6. 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.
- 9.7. Therefore, the Cabinet is proposing a 2.99% increase in council tax in 2025/26, an increase of 14p per week for a Band D property.
- 9.8. 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.

10. Collection Fund

- 10.1. Under normal circumstances, collection fund surpluses arise from higher than anticipated rates of collection of council tax (for example due to additional new build properties becoming chargeable in year)..
- 10.2. In accordance with the Local Authorities Funds (England) Regulations 1992, the Council has to declare a surplus or deficit on the collection fund by 15th January and notify major preceptors accordingly. This Council's share of the collection fund surplus for 2024/25 is £98,051 which will be credited to the General Fund in 2025/26.

11. The Cabinet's Budget Strategy for 2025/26

Securing our future in Cheltenham

- 11.1. 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.
- 11.2. 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 October 2024 and the Council are expected to receive the first tranche of funding in March 2025. The project has now been incorporated into the capital programme presented in Appendix 6 and further detail is included in Section 15 of this report.

- 11.3. 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 to smooth out cash-flow. The 2025/26 budget proposal introduces an annual contribution of £200k to the Major Developments reserve to support this and provide the financial resilience to operating the Innovation Centre in its first years.
- 11.4. This has triggered a change in approach to the strategy we have previously implemented to overpay our borrowing (voluntary overpayments on debt total £1.65m at 31 March 2024), which means the cumulative overpayments previously made can be reclaimed in the 2024/25 and 2025/26 financial years. This provides some resilience within our general balances and reserves in order to support the changes expected in Local Government funding over the medium-term financial strategy period for 2025/26. A full explanation is included in Appendix 14.
- 11.5. 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. Further information on the National Cyber Innovation Centre delivery is included in Section 15 of this report.
- 11.6. 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 Minster 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.
- 11.7. 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

- 11.8. 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.
- 11.9. 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.
- 11.10. The 2025/26 budget proposals 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.
- 11.11. 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.
- 11.12. 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.

- 11.13. 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 any issues with delivering the investment then any required budget changes will be reported in line with the Council's financial regulations.
- 11.14. 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 8.
- 11.15. 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

- 11.16. 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 general 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 across the town.

- 11.17. 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.
- 11.18. 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. An initial target of £630k has been carried forward into 2025/26 and has been risk rated in Appendix 4. The additional growth of £392k outlined in Appendix 5 will also need to be offset by savings or additional income to make the significant contribution needed to general balances by 31 March 2026.
- 11.19. The majority of the additional savings is made up of an increase in the savings required from the transition of 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 March 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. Again, these savings have been risk rated in Appendix 4.

12. Treasury Management

- 12.1. Appendix 3 summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 12.2. 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, increasing significantly over the period this budget was out for consultation. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data.
- 12.3. 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.
- 12.4. Following the announcement in November 2024 that the Bank of England

base rate have been reduced to 4.75%, our treasury advisors predict three consecutive interest rates cuts over the next year to 4.00%. The first of these rate cuts was announced by the Bank of England on 6 February 2025. The forecast for the cost of temporary borrowing in the budget estimates an average borrowing rate of 4.35% To contrast, 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.

- 12.5. 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.
- 12.6. 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.
- 12.7. 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.
- 12.8. 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.
- 12.9. Subject to disposal, it is anticipated that the Council will receive some modest capital receipts between March and July 2025. This equates to more cash in the systsssem 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 March 2025.

13. Reserves

- 13.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to comment upon “the robustness of the estimates and the adequacy of the reserves for which the budget provides”. A projection of the level of reserves to be held at 31 March 2025 and 31 March 2026 respectively is detailed in Appendix 7.
- 13.2 The level of our general balances through 2022/23 to 2024/25 has meant we have been able to cover overspends against our approved budget within the year.

However, this leaves our general balances at levels lower than pre pandemic levels, at a time of significant uncertainty about the medium-term economic environment.

- 13.3 The Cabinet recognise the importance of continuing to strengthen reserves to provide additional financial stability to the Council in managing these pressures. This has driven the change in approach to the overpayment of debt and the uncertainty facing the sector by the Government's proposed Fair Funding Review and business rates re-set expected to be implemented for 2026/27. It is therefore recommended that any future underspends or fortuitous windfalls are earmarked for transfer to general balances over the 2025/26 budget period.

14. Capital Programme

- 14.1. The capital programme for the period 2024/25 to 2028/29 is set out at Appendix 6.
- 14.2. The strategy for the use of the council's capital resources is led by our corporate priorities. The existing programme includes sums for infrastructure investment to be funded from capital receipts which align to the Council's key corporate priorities. In particular, it includes an allocation for public realm works within the Town Centre, regeneration and development of the High Street and continued commitment to investment in a net carbon zero town and Council. In particular, as new project and budget for the installation of fixed power supply and distribution for our Festival gardens has been included for 2025/26.
- 14.3. This programme reflects the Cabinet's view that the Council are an enabler for economic recovery, making sustainable and financially secure investments to provide benefits for our businesses, residents and communities. This is more important than ever to support the town post pandemic when residents and businesses are facing rising costs due to the inflation, rising interest rates and a predicted recession in the coming year.
- 14.4. During the 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.

15. The National Cyber Innovation Centre

Background

- 15.1. On 28th September 2023, Full Council provided approval to enter into a Development Funding Agreement with HBD for the delivery of the Innovation Centre and the first phase of a Mobility Hub (consisting of around 250 car parking spaces, changing rooms, bike storage and commercial units).

- 15.2. Whilst the overall design of the Mobility Hub includes 450 car parking spaces, parking demand generated by just the Innovation Centre is for only 250 spaces. The additional 200 spaces are to service future development. As such, the project team were keen to reduce the financial impact on the Council through over-provision of car parking in the short term (e.g. business rates, security, management and maintenance costs).
- 15.3. In addition, it was considered at the time that a 'system build' construction methodology could be incorporated that would enable the Council to phase the construction process relatively easily. This would help to stagger the capital outlay thus, saving the Council money.
- 15.4. Construction of the second phase of the Mobility Hub would have been drawn from the Site Wide Costs account – this is a fund that HBD provide for infrastructure costs that the Council ultimately pays for through deductions from our land receipts. Hence, the Council have always funded the entirety of the Mobility Hub but only the first phase is covered through external borrowing (as enabled by the Development Funding Agreement).
- 15.5. Over recent months the Golden Valley project team have reassessed this funding and delivery strategy, particularly in light of a more developed design, feedback from building contractors, the approval of LUF funding and ongoing high interest rates.

Review of the delivery options

- 15.6. HBD, alongside their project management team and cost consultants, undertook a review of the delivery strategy in summer 2024. The key findings were:
- As design has evolved, it has become apparent that the opportunity to benefit from a 'system build' construction methodology is more limited than first thought. The specific design and requirements for the Mobility Hub do not easily fit into many system-built solutions and it would therefore require specific alterations that would drive up cost.
 - A second construction phase could only be undertaken by closing the first, completed phase; work could not be undertaken whilst the first phase continues to operate. This would bring a requirement for a temporary car park whilst the second phase of construction is underway.
 - The costs associated with de-mobilising and then re-mobilising a building contractor for the two phases are significant and undermine any savings that could be made.
 - Any costs attributed to the Site Wide Costs account are subject to much higher interest charges than would be borne through external borrowing; it is a relatively expensive way to fund development.

- Given the current (relatively high) rate of interest and the large sums involved, considerable financial savings can be made by utilising the lower rate available through borrowing.
- 15.7. Aside from the financial benefit this would bring, a single-phase delivery would also provide several other advantages, including:
- A considerably more simple, quicker and less risky construction process.
 - The ability to bring forward future commercial development more easily and faster.
 - A more environmentally sustainable process by removing the need for temporary car parking provision.
 - Earlier completion of a 'finished' Mobility Hub will provide marketing and PR benefits that will, in turn, attract more occupiers and residents to the development.

Financial analysis

- 15.8. HBD have provided an updated financial model to reflect a single-phase delivery of the Mobility Hub. These changes include:
- An updated construction cost forecast based on the latest designs.
 - Removal of costs from the Site Wide Costs account for the second phase of the Mobility Hub.
 - Inclusion of costs for delivery of the full Mobility Hub within the Innovation Centre and Mobility Hub development costs (as funded by the Development Funding Agreement).
- 15.9. In comparing this model with a two-phase delivery strategy, the Council is forecast to ultimately increase its land receipt by over £4.8m.
- 15.10. In order to realise this opportunity, the entire cost of the Mobility Hub need to be included within the Development Funding Agreement. This will increase the Funding Envelope from £95,000,000 (as approved in September 2023) to £104,347,962. These increases relate not only to construction costs but also to professional fees, developer's return and contingency.
- 15.11. It should be noted that, despite an increase to the Funding Envelope, this is more than offset by the provision of £20m in Levelling Up Funding. The overall borrowing requirement is therefore forecast to be circa £10.6m than lower than that approved in September 2023, despite the transfer of these costs from the Site Wide Costs account to the Development Agreement.
- 15.12. In short, the adoption of a single-phase delivery strategy will provide a higher land receipt to the Council and, alongside the LUF funding, can be delivered with a lower borrowing requirement.

Impact on the Development Funding agreement

15.13. The updated financial model highlights that the 'Viability Test' within the Development Funding Agreement is still forecast to be satisfied. Essentially, the requirement that the Council set in September 2023 for a return on its investment can still be met.

15.14. The cap on Total Costs within the Development Funding Agreement will need to increase in line with the above figures.

15.15. A variation to the Development Funding Agreement will be required to facilitate this change and it is anticipated that this will be agreed with HBD in the coming weeks.

Project governance

15.16. The Golden Valley Programme Board (consisting of the Cabinet Member for Major Developments and Housing Delivery, the Chief Executive Officer and the Deputy Chief Executive (Section 151 Officer)) were presented with detailed analysis of this position and the supporting documentation in August 2024. This included detailed financial analysis underpinning the above figures. This analysis is not presented here due to commercial sensitivity.

15.17. It was resolved at this meeting that, subject to Full Council Approval, a single-phase delivery strategy should be pursued.

15.18. The Project Team are currently undertaking the procurement of a Building Contractor which, will include the development of construction drawings for the Mobility Hub. It is therefore appropriate to finalise the delivery strategy of the Mobility Hub now and obtain approval from Council for a change in strategy.

16. Property Maintenance Programme

16.1. The final budget proposals include the 2025/26 property maintenance programme, which has also be reviewed by the Asset Management Working Group, and the budget includes a revenue contribution of £599k to planned maintenance, as detailed in Appendix 8.

17. Pay Policy Statement

17.1. Section 38 of the Localism Act requires local authorities to produce pay policy statements which should include the authority's policy on pay dispersion. Pay dispersion is the relationship between remuneration of Chief Officers and the remuneration of other staff.

17.2. The Pay Policy attached at Appendix 11 includes the following key requirements of the Localism Act 2011:

- policy on pay for each of the 'in scope' Officers;
- policy on the relationship between Chief Officers and other Officers;
- policy on other aspects of remuneration, namely recruitment, increases in

remuneration, performance related pay and bonuses, termination payments, and transparency.

18. Consultation and feedback

- 18.1 The formal budget consultation on the detailed interim budget proposals took place over the period 18 December 2024 to 31 January 2025. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience, predominately through its social media channels. During the consultation period, interested parties including businesses, parish councils, tenants, residents, staff and trade unions were encouraged to comment on the initial budget proposals.
- 18.2 The Budget Scrutiny Working Group has been meeting during the course of the year and has made a positive contribution to the budget setting process in considering various aspects of the budget leading to its publication. The group met on 9 January 2025 and comments have been fed back to the Overview and Scrutiny Committee and the Cabinet.
- 18.3 Public responses to the budget proposals with responses from the Cabinet are provided at Appendix 12.

19. Supplementary Estimates

- 19.1. Under financial rule B11.5, the Council can delegate authority to the Cabinet for the use of the General Reserve up to a certain limit. This is to meet unforeseen expenditure which may arise during the year for which there is no budgetary provision. It would be prudent to allow for a total budget provision of £100,000 for supplementary estimates in 2025/26 to be met from the General Reserve, the same level as in 2024/25.

20. Alternative options considered

- 20.1. 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.
- 20.2. 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 across the town.

20.3. The most significant uncertainty facing the financial sustainability of our Council in the medium term is the Government's proposed Fair Funding Review and business rates re-set expected to be implemented for 2026/27. There is little known about how this will work and the Council have responded to the national consultation on the proposals which closed on 12 February 2025. Indications are that both Government grant funding and our retention of business rates from businesses in the town will both be reduced. The Medium Term financial strategy includes estimates of the impact of this and the savings which may be required to ensure we maintain balances and reserves through to 2029/30.

20.4. Even without these changes, 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.

20.5. 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 a stable foundation to deal with any further changes which may be implemented by the new Government.

21. Key risks

21.1. See Risk Assessment in Appendix 1.

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Appendices:

1. Risk Assessment
2. Section 151 Officer budget assessment report
3. Summary net budget requirement
4. Budget Savings / Additional Income
5. Revenue Growth Items

6. Capital programme
7. Projection of reserves
8. Programmed Maintenance programme
9. Medium Term Financial Strategy (MTFS)
10. Flexible use of Capital Receipts Strategy 2025/26
11. Pay Policy Statement
12. Responses to the 2025/26 Budget Consultation
13. Fees & Charges Schedule for 2025/26
14. Minimum Revenue Provision Policy Statement 2025/26
15. Equality Impact Assessment
16. Climate Change Impact Assessment
17. Movements in 2024/25 budget from draft to final

Background information:

1. General Fund Revenue and Capital – Interim Budget Proposals – Cabinet 17 December 2024;
2. The Quarter two 2024/25 budget monitoring report to Cabinet – November 2024;
3. The final local government finance settlement for 2025/26:

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2025-to-2026>

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"> - Commercial strategy & activities - Quarterly budget monitoring - Cabinet engagement - budget proposals - Increased capacity in the finance team - Cabinet Away Day challenge and decisions - Ongoing monitoring of targets for workstreams/services 	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"> - Ongoing review and alignment of the capital programme with the Corporate Plan - Quarterly budget monitoring - Cabinet engagement - budget proposals 	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"> - Gateway reviews of all projects through the Corporate Programme office - Cabinet Away Day challenge and decisions - Business case and approval for all new projects, including allocation of resource and budgets 		
53	If General Balances are not strengthened then insufficient reserves will be available to cover unanticipated spend or deficits resulting in the levels which will consequently fall below the minimum required level as recommended by the Section 151 Officer in the council's Medium Term Financial Strategy	ED Finance and Assets	5	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	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
							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