



Forest of Dean
— DISTRICT COUNCIL —

FULL COUNCIL

25 February 2016

F.319

Subject	REVENUE AND CAPITAL BUDGET AND COUNCIL TAX PROPOSALS 2016/2017 (INCLUDING PAY POLICY STATEMENT)
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Summary	This report summarises the Cabinet's final budget proposals and the pay policy statement for 2016/17. The budget projections have been prepared on the final settlement figures announced on 9 th February 2016. The final settlement announcement also confirmed that the council tax referendum principle for 2016/17 will be the higher of £5 or 2%.
Annexes	Annex A – Summary of net budget requirement. Annex B – Proposed growth. Annex C – Proposed savings. Annex D – Projection of reserves and general balances. Annex E – Proposed capital programme Annex F – Pay Policy Statement Annex G – Budget Consultation results Annex H – Section 151 Officer budget assessment
Recommendation	That Cabinet recommends that Full Council: a) approve the final budget proposals including a proposed council tax for the services provided by Forest of Dean District Council of £165.52 (a 1.99% increase based on a Band D property) for the year 2016/17, summarised at Annex A; b) approve the growth proposals, including one off initiatives at Annex B; c) approve the proposed savings at Annex C for 2016/17 and note the proposed savings in future years; d) note the projection of reserves and general balances at Annex D;

	<p>e) approve the proposed capital programme at Annex E;</p> <p>f) approve the pay policy statement for 2016/17 at Annex F including the continued payment of a living wage supplement.</p> <p>g) consider the budget assessment by the Section 151 Officer at Annex H in agreeing the recommendations above.</p>										
Corporate priorities	<p>No change is proposed for the Council's Corporate Priorities for 2016/17. These remain as:</p> <ul style="list-style-type: none"> • Provide value for money services • Promoting thriving economies • Encourage a thriving economy • Protect and improve our environment 										
Implications (details at end of report)	<table border="1"> <tr> <td>LEGAL</td> <td>FINANCIAL</td> <td>RISK</td> <td>EQUALITIES</td> <td>SUSTAINABILITY</td> </tr> <tr> <td>YES</td> <td>YES</td> <td>YES</td> <td>NO</td> <td>NO</td> </tr> </table>	LEGAL	FINANCIAL	RISK	EQUALITIES	SUSTAINABILITY	YES	YES	YES	NO	NO
LEGAL	FINANCIAL	RISK	EQUALITIES	SUSTAINABILITY							
YES	YES	YES	NO	NO							

1. BACKGROUND

- 1.1 The responsibility for preparing the budget in line with the Council's policy framework, taking proper account of technical and professional advice, lies with the Cabinet. The Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals prior to finalising recommendations for the Council to consider in February 2016. The consultation took place between the period 17th December 2015 and 18th January 2016 and this report sets out the final proposals for 2016/17.
- 1.2 The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, in 2016/17 more than 65% of the Council's overall core Government funding (referred to as the Settlement Funding Assessment), comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. By 2019/20 this will rise to 100% as the Government proposes to completely phase out the Revenue Support Grant (RSG). This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.
- 1.3 The Spending Review 2015 confirmed that by the end of this Parliament, local government will retain 100 per cent of business rate revenues to fund local services although the system of top-ups and tariffs which redistributes revenues between local authorities will be retained. In return, local government will be required to take on additional responsibilities which may include the funding of public health and the administration of Housing Benefit for pensioners. The Government propose to consult on these and other additional responsibilities in

2016.

- 1.4 The New Homes Bonus forms an integral part of financing of local government and is indeed used in the Government’s preferred terminology of ‘Spending Power’ that it utilises when the settlement is announced. The final budget proposals set out clearly the anticipated use of New Homes Bonus to support the Council’s spending requirement.

2. CORPORATE PRIORITIES

- 2.1 Detailed below are our corporate priorities and objectives for 2015-2019 that will drive the budget decisions. Our vision is for the Forest of Dean district to be a great place to live, work and stay.

PRIORITIES	Priority 1 Provide value for money services	Priority 2 Promote thriving communities	Priority 3 Encourage a thriving economy	Priority 4 Protect and improve our environment
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OBJECTIVES	1.1 - Being clear about our direction and priorities to make best use of our resources	2.1 - Enabling the provision of homes to meet local needs	3.1 – Working with local businesses to create and sustain good quality local jobs	4.1 - Increasing recycling, encouraging composting and reducing waste
	1.2 - Putting our customers first to improve access to our services and improve customer satisfaction	2.2 - Ensuring planning policy meets community needs and protects and enhances the character of the district	3.2 - Working with partners to attract investment to support the local economy	4.2 – Helping to mitigate and adapt to the impacts of climate change on our local communities
	1.3 - Investing in our staff and councillors to meet the changing needs of our community		3.3 - Supporting tourism by promoting the Forest of Dean as a place to visit	

3. BUDGET ASSESSMENT OF THE SECTION 151 OFFICER

- 3.1 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, covering the robustness of estimates and adequacy of reserves. The Act requires Members to have regard to the report in making decisions at the Council's budget and council tax setting meeting.

3.2 The Section 151 Officer is satisfied that the proposed budget for 2016/17 has been based on sound assumptions and that the Council has adequate reserves to fund its operations in 2016/17. The full assessment is attached at Annex H.

4. SETTLEMENT FUNDING ASSESSMENT

4.1 On 17th December 2015, the Secretary of State for Communities and Local Government announced the provisional local government settlement for 2016/17. The announcement included the following significant proposals to be delivered over the life of the Spending Review Period:

- Movement to 100% business rate retention;
- Permission to spend 100% of capital receipts from asset sales, to fund cost-saving reforms;
- Introduction of a social care Council Tax precept of 2% a year for those authorities with social care responsibilities;
- Flexibility for the lowest cost district councils to increase council tax by £5 a year;
- Increased support through the Rural Services Delivery Grant for the most sparsely populated rural areas;
- Retention of New Homes Bonus **but** with proposed changes, savings from the changes to be re-invested in authorities with social care responsibilities;
- The offer of a guaranteed 4 year budget to every council, which desires one, and which can demonstrate efficiency savings.

4.2 In addition to the detailed proposals for 2016/17, illustrative figures have also been provided for each financial year up to 2019/20. The illustrative figures need to be treated cautiously as they do not include the full implications of proposed changes to the New Homes Bonus or implications of the move to 100% business rate retention. In the case of changes to the New Homes Bonus, the illustrative figures showed a reduction in New Homes Bonus in 2018/19, whereas the consultation document indicated that reductions may come into effect in 2017/18.

4.3 The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.

4.4 The final local government settlement for 2016/17 equates to a further grant

reduction in cash terms of £0.609 million or 14.4%.

- 4.5** This means that since 2010/11, the Council’s core funding from the Government has been cut by some £3.9 million, from £6.8 million to £2.9 million (this excludes council tax support funding which transferred into the settlement funding assessment in 2013/14).
- 4.6** Allocations have been determined by equal percentage cuts in “settlement core funding” which is the sum of Revenue Support Grant (RSG), business rates targets and for the first time council tax. The council will see its government funded spending power per head of population reduce from £69.98 in 2015/16 to £47.72 in 2019/20, a 31.8% reduction.
- 4.7** The proposed levels of Government funding for this Council are set out in the table below which also shows recent reductions in funding. Overall, core Government funding (referred to as the Settlement Funding Assessment) will reduce by 14.4% in 2016/17.

	2014/15	2015/16	2016/17 Provisional
	£	£	£
Revenue Support Grant	2,646,240	1,875,427	1,247,186
Baseline Funding (Forest of Dean Target level of retained business rates)	2,308,594	2,352,707	2,372,313
Settlement Funding Assessment	4,954,834	4,228,134	3,619,499
Actual cash (decrease) over previous year	(713,476)	(726,700)	(608,635)
% reduction in funding	12.6%	14.7%	14.4%

- 4.8** On 9th February 2016, the Secretary of State for Communities and Local Government announced the final local government settlement for 2016/17. The announcement included the following significant proposals which impact directly on this Council over the life of the Spending Review Period:

- Increased support through the Rural Services Delivery Grant resulting in additional grant of £93.5k in 2016/17 and £46,400 in 2017/18. In 2016/17 the final allocations propose that the Council will receive a further Rural Services Delivery Grant of £124,464;
- Flexibility to raise council tax by the greater of a maximum of £5 or 2% - this

has been made available to all Shire Districts to use across every year of the four year period. For Forest of Dean, this would equate to an additional £48.9k of base budget funding in 2016/17; and the ability to raise similar amounts to support the base budget across years 2017/18 to 2019/20;

- Councils that want to take up the four year settlement offer have until 14th October 2016 to respond to the Secretary of State;
- The Secretary of State announced a consultation on planning fees;
- The Government has also announced that it will start a review of the needs formula in preparation for the introduction of 100 per cent business rates retention.

- 4.9 It is reassuring to see that for the first time in many years there have been significant improvements between the provisional and final settlement. A number of these changes were specifically requested in this Council's direct response to the consultation.

Business Rate Retention Scheme (BRRS)

- 4.10 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. In the first year of operation the Pool reported a surplus of £774,862.
- 4.11 In 2014/15, the pool suffered a significant loss due to the impact of backdated appeals on rateable values and, in particular, the successful backdated appeal by Virgin Media, the largest valued business in Tewkesbury. The final pool position for 2014/15 published a deficit of £2.3m following a safety net payment to Tewkesbury of £3.9m.
- 4.12 The on-going issue with Virgin Media relates to their request for a single listing. They are currently listed with 68 different councils. Following meetings with the DCLG and the LGA, it was made clear that this will not be resolved quickly. Further information is needed from Virgin Media in order for the Valuation Office to consider the matter and due to the size, complexity and potential impact for many councils and the DCLG, it is unlikely to be resolved this financial year. However, there is a small risk that the Virgin Media issue may be fast tracked and resolved this financial year which would have a serious impact on the Gloucestershire business rates pool.
- 4.13 The Chief Finance Officers agreed to look at the composition of the pool and determine whether the amount of business rates retained in Gloucestershire could be maximised by having fewer members in the pool and lowering the levy rate. Modelling of the potential business rates income in 2016/17 indicates that the Council is still above the baseline funding target (Forest of Dean's target level of retained Business Rates) which will result in the Council still being liable to a 'levy'.

- 4.14** Taking the above into account, it was agreed that this Council would benefit from remaining in the pool in 2016/17 as it will result in a reduction in the levy payment due to Government, which will be distributed in accordance with the governance arrangements. For 2016/17, the Gloucestershire pool has been reconstituted to include Gloucestershire County Council and all of the District/Borough Councils with the exception of Tewkesbury Borough Council.
- 4.15** One of the key documents in the budget setting process is the estimate of business rates yield which is reported in the National Non Domestic Rates return (NNDR1) which is submitted to the Department for Communities and Local Government. The NDDR1 return was submitted to the Department of Communities and Local Government (DCLG) by the deadline of 31st January 2016 and the budget is based on the figures in that return. The table below incorporates figures from the NNDR1 return and it is pleasing to report that the estimated net surplus from retained business rates against the baseline funding position is £369,976. However, due to the Virgin Media issue and the large reductions made by the Valuation Office (VO) in the rateable values of purpose-built doctors' surgeries and health/medical centres (which are backdated several years), deficit adjustments need to be made from previous years to the value of £648,743, although this will be partly offset by business rates collected on renewable energy schemes of £238,691 as the Council is able to retain 100% of these.
- 4.16** It is therefore appropriate and necessary to support the 2016/17 budget proposals with a contribution from the BRR reserve which has been built up over the last two financial years to deal with these deficit adjustments.

	2016/17 £
Estimated share of retained business rates (40%) per NNDR1	4,905,101
Tariff to government	(2,370,373)
Grant to compensate for government decisions (e.g. Small business rate relief and Localism Act reliefs)	538,905
Estimated levy payable to government before any 'pool' reduction	(331,344)
Net retained business rates	2,742,289
Less Baseline Funding (Forest of Dean Target level of retained business rates)	(2,372,313)
Net surplus on business rates in 2016/17 against baseline funding	369,976
Surplus adjustment in respect of 2014/15 (one-off)	118,906
Deficit adjustment in respect of 2015/16 (one-off estimated)	(767,649)
Additional one-off adjustments in respect of previous years surpluses / deficits from retained business rates	(648,743)

Add renewable energy schemes (2015/16 and (2016/17)	238,691
Net retained business rates (after surplus / deficit adjustments)	2,332,237

4.17 The move to local business rates retention would appear to be a positive one, but local authorities have faced a series of obstacles in trying to make it a success. The Government's desire is to make sure that the system is fair and that there is a balance between incentives and managing risks, although it is nearly three years since business rates retention was introduced and the rules are still changing.

4.18 Local authorities have been inundated with various regulation updates but we are still struggling to get access to critical information, such as the likely outcome of appeals against business rates. Large appeals and RV reductions from other public sector organisations are undermining local government's ability to make business rates retention a success.

New Homes Bonus (NHB)

4.19 The government introduced the NHB as a cash incentive scheme to reward councils for new home completions and for bringing empty homes back into use. This provides funding of £1,484 for each new property for six years (based on national average for band D property – i.e. £8,900 per dwelling over six years), plus a bonus of £350 for each affordable home (worth £2,100 over six years).

4.20 Funding is not ring-fenced and is designed to allow the 'benefits of growth to be returned to communities'. Funding is split 80:20 between district and county authorities, although it is now recognised that the funding from this scheme comes from top sliced Revenue Support Grant (RSG), which will reduce significantly over the coming years to compensate for the NHB payments.

4.21 The Government has announced the allocation of NHB Grant for 2016/17. For this Council, NHB Grant will increase by £557,868 from £1,523,573 to £2,081,441. The grant recognises net growth in the Council Tax base of 474 properties between October 2014 and October 2015 and the development of 173 affordable housing units.

4.22 The Government is proposing to make changes to the New Homes Bonus and has published a consultation document "New Homes Bonus: Sharpening the Incentive". The Consultation document has been prepared in the context of the outcome of the 2015 Spending Review. This confirmed the intention to move to full retention of business rates by 2020 and a preferred option for savings of at least £800 million in New Homes Bonus, to be used to fund social care. The consultation seeks views on the options to change two aspects of the New Homes Bonus.

- Reducing costs by moving payment of the bonus from 6 years to 4 years;
- Reform of the bonus to reflect local authorities' performance on housing growth, linking payment of grant to production of the Local Plan, reducing

payments for housing built on appeal and/or only making payments for delivery above a baseline.

- 4.23** The deadline for responses is 10th March 2016 and Officers are preparing a response in consultation with the Leader of the Council.

Council Tax

- 4.24** The Localism Act 2011 introduced a power to the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits. Any Council that wishes to raise its Council Tax above the limit will have to hold a referendum, the result of which will be binding. The proposed limit for 2016/17 has been announced at 2%.
- 4.25** For the past five years the Council has frozen its council tax requirement at £162.29 a year for a Band D taxpayer, this was first set in 2010. In proposing this course of action, the Cabinet has borne in mind the difficult economic and financial climate that many of our residents face although it is fully aware that during the period of the freeze our funding from Central Government has deteriorated sharply.
- 4.26** Since the district share of council tax was last increased, CPI inflation has been of the order of 13%. We are currently going through a period of extremely low inflation, with CPI inflation being 0.0% in September 2015, well below the Monetary Policy Committee's (MPC) 2% target. However, this is likely to be relatively short-lived, with inflation projected to rise as past falls in energy prices begin to drop out of the annual comparison. The MPC judges that it is currently appropriate to set policy based on a likelihood that inflation will return to the 2% target within two years.
- 4.27** However, consumer price inflation is not a particularly useful guide to what is happening to the Council's costs. The most significant cost to this Council is in respect of its employee related costs – and in this area of expenditure, some very considerable cost increases are on the way. Pay awards are assumed to be in the region of 1% per annum, employer pension contributions are increasing by £194k cumulatively per annum, and employer national insurance contributions will increase by 3.4% as a result of the creation of the single tier state pension and the end of contracting out of the second state pension.
- 4.28** With this in mind, the Cabinet has had to consider whether a further freeze in council tax is sustainable, or whether it will act against the interests of local residents by creating an increased risk of service cuts and/or larger tax increases in the future.
- 4.29** The uncertainty surrounding the future of New Homes Bonus, which represents a significant proportion of our income, and the actual final local government settlement which is not likely to be announced until February 2016, could place a

number of our discretionary services at risk.

- 4.30** Therefore, the Cabinet is proposing a 1.99% increase in council tax in 2016/17; an increase of £3.23 for the year based on a Band D property.

Collection Fund

- 4.31** 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 2015/16 is £216,500 which will be credited to the General Fund in 2016/17. Collection fund surpluses arise from higher than anticipated rates of collection of the council tax collection rates.

Drainage Board Levy

- 4.32** Notice was given, at a Meeting on the 10th February 2016, the Lower Severn Drainage Board will approve the issue of a special levy on the Forest of Dean Council, being a charging authority within the district of the Board, for the year commencing 1st April 2016 to the 31st March 2017 of £36,435 by virtue of the powers granted by the Land Drainage Act 1991. This amounts to an increase on the previous financial year of £5,712 and has been built into the base budget.

5. UNAVOIDABLE BUDGET PRESSURES

- 5.1** In addition to funding pressures from cuts to Government funding, the Council is also facing costs pressure from the triennial valuation of the Gloucestershire Local Government Pension Scheme. The Council has made provision for growth in contributions to the Pension Fund of £194,000 for each of the next four years (2016/17 to 2019/20). The next valuation is due to take place in March 2016 and will set the contribution rates for the period 2017/18 to 2019/20
- 5.2** The creation of the single tier state pension, and the end of contracting out of the second state pension, will negatively impact on employers providing defined benefit pension schemes (such as the Local Government Pensions Scheme). Currently, provided that such Pension Schemes meet statutory requirements, employers pay a reduced National Insurance (NI) contribution - the reduction is 3.4%. The introduction of the single tier pension will have the effect of increasing an employer's NI contributions by the amount of the current reduction - 3.4%. Provision for increased employer NI contributions with effect from 2016/17 has been included within the budget proposals at a cost of £136,000.
- 5.3** Since 2013, the grant received from central government to fund the administration costs of the Housing Benefit and Local Council Tax Support services has been reduced by £175,100 of which £54,600 is proposed in 2016/17. £37,750 of this cut related to the introduction of the Single Fraud Investigation Service which saw

responsibility for the investigation of housing benefit fraud pass from local government to the Department for Works and Pensions (DWP). Other reductions have been a result of the DWP passing on its departmental savings targets to local government.

6. THE CABINET'S GENERAL APPROACH TO THE 2015/16 BUDGET

6.1 In the current exceptionally difficult national funding situation, the Cabinet's overriding financial strategy has been, and is, to drive down the Council's costs, while also protecting frontline services.

6.2 The Cabinet's budget strategy for 2016/17, approved at a meeting on 15th October 2015, included an estimate of £0.464m for the 2016/17 budget gap i.e. the financial gap between what the Council needs to spend to maintain services (including pay and price inflation) and the funding available assuming a 7.5% cut in government support. These assumptions were used to support the interim budget proposals, and based on the detailed budget preparation undertaken in November 2015, assumed a revised budget gap of £0.520m.

6.3 The final assessment of the budget gap for 2016/17, based on the detailed budget preparation and the financial settlement is £0.583m which takes into account the following significant variations:

- Additional retained business rates (baseline) £57k
- Additional cut in RSG of £261k which represents a 14.4% reduction in its Settlement Funding Assessment
- Additional Rural Services Delivery Grant £124k
- Additional NHB £31k
- Increase in Members allowances £16k
- Additional cut in housing benefit subsidy admin grant £17k
- Additional income as a result of the collection fund surplus £16k

6.4 The Cabinet's key aim in their approach to setting a budget was to do everything possible to protect frontline services with a modest increase in council tax.

6.5 In order to achieve this, the Cabinet and officers have identified savings that can be achieved through reorganisation of service delivery, finding other internal savings or raising additional income rather than through service cuts

6.6 In preparing the budget proposals, the Cabinet and officers have:

- Prepared a budget projection under a general philosophy of no growth in levels of service with the exception that it is a statutory requirement, or there is a compelling business case for an 'invest to save' scheme or where growth would secure additional income. The full list of proposals for growth, including one off initiatives, is included in Annex B.

- Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven.
- Budgeted for pay inflation at 1% for 2016/17.
- Increased income budgets assuming an average increase in fees and charges of 2.0%, where legislation permits with some exceptions. Property rents have not been inflated but are now set in line with rent projections based on property leases. The Cabinet proposes to freeze car park charges and green waste charges.
- Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Audit Committee.

6.7 As in previous years, the budget for the coming year is the result of a great deal of activity and hard work by officers and members throughout the year. The Cabinet has worked with officers to develop a longer term strategy for closing the funding gap and this is monitored regularly through the Corporate Leadership Team. The Cabinet's final budget proposals for closing the budget gap in 2016/17, which are the result of this work, are detailed in Annex C.

6.8 The 2020 Vision programme and the commissioning process have helped the Council to move towards a robust five-year strategy for closing the funding gap. The work done on leisure and waste services, shared services with our 2020 partner councils, management restructuring, as well as a number of smaller pieces of work, give the Council the opportunity to think ahead over a period of several years, rather than planning its budgets a year at a time.

6.9 The unexpectedly large reduction in revenue support grant announced in December 2015 creates a challenge for the Council which it will take time to resolve, although this was partly offset by the welcome addition of extra rural services delivery grant in 2016/17 and 2017/18. For this reason, the final budget follows a strategy of using earmarked reserves which have been specifically built up in order to cushion the impact of the grant reduction in 2016/17 and 2017/18, allowing time to find sustainable savings with the least possible impact on services.

6.10 It is therefore the Cabinet's intention to meet the projected shortfall in funding of £418,320 in 2016/17 from the future deficits earmarked reserve in order to deliver a balanced budget. The projected level of this reserve at 31st March 2016 is £1.173m and this will give the Council time to deliver its strategy for delivering substantial savings over the next 4 year period.

7. TREASURY MANAGEMENT

7.1 Annex A summarises the budget estimates for interest and investment income

activity. Security of capital remains the Council's main investment objective.

- 7.2 The latest forecast from our Treasury Advisors includes a first increase in the Bank Rate in quarter 2 or 3 of 2016 although it is recognised that events outside our control could result in a delay in any Bank Rate increase. With this in mind, the budget has been framed on the assumption that the interest received in 2016/17 will be broadly consistent with that now projected for 2015/16.

8. RESERVES

- 8.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This review is attached at Annex H.
- 8.2 As detailed above, under the new regime, around 65% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. The performance monitoring report for quarter 2 details the volatility in this area surrounding appeals and rate reductions. As a consequence the Council has been able to substantially increase the BRR reserve in 2015/16 which will be used to support the budget proposals in 2016/17 to help offset the appeals provision and one-off drop in business rates in 2016/17.
- 8.3 A projection of the level of reserves to be held at 31st March 2016 and 31st March 2017 are detailed in Annex D.

9. CAPITAL PROGRAMME

- 9.1 The proposed capital programme for the period 2015/16 to 2019/20 is at Annex E.
- 9.2 The strategy for the use of its capital resources is led by our corporate priorities:
- **Provide value for money services** – the Council remains committed to the provision of good quality leisure facilities throughout the district. These should be funded from existing capital resources; this investment should reduce the ongoing running costs of the existing facilities.
 - **Promote thriving communities** – working with Two Rivers Housing and other registered social landlords to provide affordable homes in the district. This should be funded from existing capital resources or through prudential borrowing.
 - **Encourage a thriving economy** – working with partners to deliver the Cinderford Northern Quarter Spine Road and regeneration. Pump priming this, or other regeneration projects could be funded by short-term borrowing where future capital receipts or S106 receipts can be generated.
- 9.3 It is the intention of the Section 151 Officer to work up, in consultation with the

Cabinet and members of CLT, a revised capital strategy in the new financial year. This strategy will be brought to Full Council for approval in the new financial year.

10. PAY POLICY STATEMENT

10.1 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.

10.2 The Pay Policy attached at Annex H 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.

10.3 On 27th February 2014, Council approved the payment of a living wage supplement to all staff that was currently below the threshold with effect from 1st April 2014.

11. CONSULTATION AND FEEDBACK

11.1 The formal budget consultation on the detailed interim budget proposals took place over the period **17th December 2015 to 18th January 2016**. The Cabinet sought to ensure that the opportunity to have input into the budget consultation process was publicised to the widest possible audience. During the consultation period, interested parties including residents, businesses, parish and town councils, staff and trade unions were encouraged to comment on the initial budget proposals. They were asked to identify, as far as possible, how alternative proposals complement the Council's corporate plan, how they will be financed, and how they will help the Council to achieve best value.

11.2 The Strategic Overview and Scrutiny Committee reviewed the initial budget proposals in their meeting on 7th January 2016 and the Finance and Internal Affairs Scrutiny Sub Committee also had the opportunity to review and discuss the initial budget proposals on 25th January 2016.

11.3 A summary of the budget consultation responses are contained in Annex G.

Assessment of alternative Budget Proposals

11.4 It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Section 151 Officer (preferably

channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is captured.

- 11.5** 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.

Final Budget Proposals and Council Approval

- 11.6** The Cabinet has presented final budget proposals having regard to the responses received. In reaching a decision, the Council may adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or in principle, substitute its own proposals in their place.
- 11.7** The Council is legally required to set its council tax for the forthcoming financial year by 11th March. (Section 30 (6) Local Government Finance Act 1992). If the Council fails to make a decision on its budget by 26th February 2016, this is likely to delay 'billing' by up to two weeks, the financial implications of which are in the region of £35,000.

12. ALTERNATIVE OPTIONS CONSIDERED

- 12.1** The process for considering alternative budgets is set out above.

13. IMPLICATIONS

Financial implications	As detailed in the report and annexes.
Legal implications	<p>Members are not generally regarded as having an 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.</p> <p>The Council is required to set a council tax requirement before the 11th March for each financial year. No amount can be set unless the Council</p>

	<p>has made the statutory calculations required by the 1992 Act. These calculations are dealt with in the Council Tax Resolution Report on this Agenda.</p> <p>The budget process is governed by the Budget and Policy Framework Procedure Rules (contained in the Council Constitution) and the process recommended in this report is designed to meet and exceed the requirements of those Rules.</p> <p>The Local Government Act 2012 introduced a radical change to the local government finance system. The key changes introduced by the Act were:</p> <ul style="list-style-type: none"> • implementation of the Business Rates Retention Scheme; • replacement of the existing Council Tax Benefit system with local Council Tax Support; • implementation of changes to council tax rules to provide some local flexibility on the council tax local authorities can charge on empty properties. <p>All of the above changes came into effect for the 2013/14 financial year.</p> <p>Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements.</p> <p>The Localism Act 2011 also contains requirements for local authorities to hold a referendum where council tax is proposed above a specific 2% increase.</p> <p>Section 25 of the 2003 Local Government Act requires the authority's Section 151 Officer to comment on the robustness of estimates and adequacy of reserves.</p> <p>There is a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget. The budget proposals includes budgets for expenditure and income and uses reserves to fund one off expenditure, fund future expenditure or phase in the impact of increased expenditure per the MTFs without drawing on the General Reserve.</p>
<p>Risk assessment</p>	<p>If the Council is unable to come up with long term solutions which close the funding 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.</p> <p>If funding streams including the New Homes Bonus and business rates localisation does not deliver as expected, in addition to the withdrawal of Revenue Support Grant, then the budget gap may increase above current projections.</p> <p>Historically, the Council has used in-year savings to fund one-off growth/new initiatives. As a result of budgets getting tighter, there may</p>

be a reduced likelihood of in-year savings being delivered resulting in potentially increased pressure on the General Fund balance to fund growth/new initiatives over the period of the Medium Term Financial Strategy.

During the financial year 2014/15 the Council was involved in a number of Legal Challenges, the costs of which were met from in-year savings. However, with some of these challenges continuing into 2015/16 and new ones on the horizon there is likelihood that there will be an increased demand on Earmarked Reserves or the General Fund balance to meet the costs associated with such cases.

BACKGROUND PAPERS

The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:

- Provisional Local Government Finance settlement 17th December 2015.
- Cabinet Report F.302 Budget Strategy and Process dated 15th October 2015.

These documents will be available for inspection at the Council Offices, Coleford during normal office hours for a period of up to four years from the date of the meeting. Please contact the author of the report.

