



Forest of Dean  
— DISTRICT COUNCIL —

Council name	<b>Forest of Dean District Council</b>
Name and date of Committee	<b>STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE – 11 JANUARY 2024</b>
Report Number	
Subject	<b>FIRST DRAFT REVENUE AND CAPITAL BUDGETS 2024-2025</b>
Wards affected	All
Accountable member	Cllr Andy Moore Cabinet Member for Finance Email: <a href="mailto:Andy.Moore@fdean.gov.uk">Andy.Moore@fdean.gov.uk</a>
Accountable officer	Andrew Knott, Chief Finance (S151) Officer Tel: 01594 812416 email: <a href="mailto:andrew.knott@fdean.gov.uk">andrew.knott@fdean.gov.uk</a>
Summary/Purpose	This report sets out the Cabinet's interim budget proposals for 2024-2025 for consultation.
Annexes	Annex A – Summary of net budget requirement. Annex B – Proposed savings strategy. Annex C – Proposed growth items. Annex D – Proposed capital programme. Annex E – Projection of reserves and general balances. Annex F – S106 Balances Annex G – ICT Reserve Annex H – Maintenance Reserve Annex I – Fees and Charges
Recommendations	<i>a) Notes the report and various annexes and feeds back comments to Cabinet as part of the Consultation process</i>
Corporate priorities	The budget supports all of the Council's corporate priorities.
Key Decision	YES
Exempt	NO
Consultees/ Consultation	No consultation has taken place. Consultation will be undertaken on the contents of this report.

## **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 and presenting proposals to Council for approval, rests with the Cabinet. This report outlines interim proposals for 2024-2025 for consultation which will enable the Cabinet to finalise recommendations for Council to consider in February 2024.
- 1.2.** It was expected that government reforms to local government funding would be implemented in 2025-2026. However, this is now not expected to be the case and the changes are now expected to be implemented in 2026-2027 due to the time given for a new government to implement changes after the next election due to take place before January 2025.

## **2. CORPORATE PRIORITIES**

- 2.1.** Council agreed its Corporate Plan for 2019-2023 at its meeting on 5 December 2019. The priorities set out in that plan will drive budget decisions for the period.

### **The Council's vision and priorities**

Our vision for the district is to make the Forest of Dean a great place to live, learn, do business and enjoy. In order for the Council to be clearer about its priorities the objectives that underpin them must reflect the reality of community needs and provide a framework for community outcomes.

The Corporate Plan sets out the following five key areas of focus:

- Protect and enhance the local environment and address the climate emergency;
- Improve community wellbeing, supporting and celebrating our distinctiveness;
- Provide a range of affordable housing to meet the needs of the District;
- Develop a vibrant economy that is resilient and future proofed;
- Deliver great services through ensuring financial sustainability.

The areas of focus will be built on the following principles:

1. Creating social value;
2. Reducing our impact on climate change;
3. Seeking value for money.

- 2.2.** The Council Plan has been considered for change in the December 2023 and the budget looks to fund the items being added to the new approved Council Plan.

## **3. THE NATIONAL AND LOCAL FUNDING SCENARIO**

- 3.1.** All assumptions in the interim budget proposals are based around the updates following the Autumn Statement announced by Government on the 22 November 2023 and previous announcements. It has not been possible to use the provisional settlement information for this report as this is not expected until the week commencing 18 December 2023.

**3.2.** The main points relevant to the Council from the announcement were:

- From April 2024, the referendum limit for increases in council tax will remain at 2.99% per year or £5 whichever is greater.
- The Autumn Statement provides little detail about grant funding beyond stating that departmental budgets will be protected in cash terms in 2024-25. After 2024-25, it is expected that there will be a real terms reduction.
- There were no announcements on the future of the fair funding review (also known as the Review of Relative Needs and Resources), the move to further business rates retention or the new homes bonus reforms. There was also no mention as to whether this Council can expect a two year local government settlement as per the 2021 Spending Review period or whether the Council will receive another 1 year settlement. This is likely to be another 1 year settlement and there after will depend on the Government after the General Election. It is unlikely there will be any changes until the General Election has been completed.
- In terms of Business Rates, it was announced that the small business multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be uprated by CPI to 54.6p in March 2024. The 75% relief for Retail, Hospitality and Leisure properties is being extended into 2024-25. Councils will be fully compensated for the impact of these measures and the cost of administering the changes.
- It is still to be announced whether Business Rates Pooling is to be allowed in 2024/25. However, it is the recommendation of all Gloucestershire S151 Officers that we re-enter into the Pooling agreement subject to the final settlement and confirmation of any changes to Business Rates such as any resets to be made. A final decision on the Pool will be made once this is known and there will either be a continuation of the current Pool or no Gloucestershire Pool going forward.

**3.3.** The Council's Medium Term Financial Strategy (MTFS) is already predicated on the basis that council tax will increase by 2.99%.

**3.4.** It is expected New Homes Bonus (NHB) will continue for one year in 2024-2025 in its current form. It is not known how the underspend in this will be used within the funding envelope and nothing around this has been confirmed.

**3.5.** As in 2023-2024, the Council must continue to develop its strategy for coping with reductions and changes in the way it is financed.

### **Retained Business Rates**

**3.6.** The Gloucestershire Business Rates Pool was set up in 2013-2014 to maximise business rates income retained in the County and to support economic growth within the area of the Local Enterprise Partnership. The Council has been a member of the pool since 2013. At that time, continuation within the pool was delegated to the Chief Financial Officer and Chief Executive Officer, to be reviewed on an annual basis.

**3.7.** The anticipated level of business rates due to the Council in 2024-2025 is still above the baseline funding target (Forest of Dean's target level of retained Business Rates) which will result in the Council remaining liable to a 'levy.'

- 3.8.** Pooling would be beneficial for the financial year 2024-2025, based on current arrangements, but it is unknown whether this will be available as of yet and in what form.
- 3.9.** The Chief Finance Officer is of the opinion that the Council will benefit financially from remaining in the pool for 2024-2025 as the levy payment to Government, distributed in accordance with governance arrangements, will be reduced. This will be reviewed by all Chief Finance Officers across the Business Rate Pool once the final Local Government Settlement is known, however, an application has been made for the Pool to continue.
- 3.10.** The table below shows projected income from Business Rates over the period of the MTF5. This is especially important as this will be the one of main source of funding after 2023 alongside Council Tax.

	2023-24 £000	2024-25 £'000	2025-26 £'000	2026-27 £'000
BRRS income	4,501	4,129	4,600	4,288
Pool income	300	300	0	0
Total	4,801	4,429	4,600	4,288

### **Council Tax**

- 3.11.** The Localism Act 2011 requires Councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise. This will remain at 2.99% in 2024-2025.
- 3.12.** The Cabinet has therefore had to consider a council tax increase which is sustainable, while not creating increased risk of service cuts and/or higher tax increases in future.
- 3.13.** The unclear future of NHB and the delayed reforms to local government funding, will place a number of the Council's discretionary services at risk unless sufficient funding is realised.
- 3.14.** At this stage, the Cabinet proposes a 2.99% per annum increase in council tax in 2024-2025 to £205.80 for a Band D property. The MTF5 was drafted on a tax base increase of 1.35% per annum. At present, the increase in 2024-2025 is 1.43%.

## **4. THE CABINET'S BUDGET STRATEGY**

- 4.1.** In the current difficult and uncertain national funding situation, the Cabinet's financial strategy remains to drive down the Council's costs whilst maximising opportunities to realise additional ongoing revenue income.
- 4.2.** The main mechanism for implementing the strategy is the MTF5, which aims to align service costs to available funding. The MTF5 allows a more strategic approach to be adopted to bring service costs in to line with available and any additional funding.
- 4.3.** The Cabinet wishes the Council to continue to be more enterprising and believes a longer-term approach to finding efficiencies, with increasing emphasis on commerciality

and development of new models of service delivery through commissioning remain the most effective ways of realising the substantial savings required without having adverse effects on services.

- 4.4. The starting point for constructing the 2024-2025 budget has been the MTFS funding gap identified in February 2023. In February 2023, the funding gap was estimated at £2.901m. This is discussed further from paragraph 4.12.
- 4.5. Closing the gap is a major challenge for the Council. This challenge was partly met by identification of budget savings by the Cabinet and Executive Leadership Team. Savings of £602,430 for 2023-2024 were included in the MTFS.
- 4.6. Savings/Income Growth Targets totalling £581,390 have been budgeted for 2024-25, shown in Annex B.
- 4.7. The Cabinet's intention is to meet any shortfall in funding in 2024-2025 from the future deficits earmarked reserve in order to deliver a balanced budget. This is currently not needed. However, it must be remembered that the reserve cannot be relied on indefinitely.
- 4.8. Much work is required in compiling a robust budget for 2024-2025 and it is likely this will have an effect on the funding gap. In addition, the Government's actual settlement may be worse than expected. It is therefore important that work continues to identify budget savings and additional income up to the publication of draft budget proposals and beyond.
- 4.9. The Cabinet's key aim in its approach to setting a draft budget was to do everything possible to protect frontline services with a modest increase in council tax.
- 4.10. In preparing the interim budget proposals, the Cabinet and officers have considered the following:
  - Prepared a budget projection under a general philosophy of very little 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 or inform residents around the budget in future years. The full list of proposals for growth, including one off initiatives, is included in Annex C.
  - Provided for inflation for contractual, statutory, and health and safety purposes at an appropriate inflation rate where proven;
  - Budgeted for pay inflation at 5% for 2024-2025;
  - Budgeted for an increase in Members allowances of 5% for 2024-2025;
  - Budgeted for an increase in the Drainage Board Levy of 10% for 2024-2025;
  - A full review of fees and charges has taken place which shows increases in fees between 0% and 10%, these are now budgeted by area;
  - Assessed the impact of prevailing interest rates on the investment portfolio, the implications of which have been considered by the Audit Committee.
- 4.11. It is clear that to ensure a balanced budget in future, Members will have to make some difficult decisions during 2024-2025.

- 4.12.** It is clear that the MTFS submitted to Council in February 2023 was compiled on the best information available. As projections have become clearer, the likely financial effects of the government's funding on the Council have not improved however savings proposals have become clearer as per Annex B. The projected funding gap over the MTFS period has now reduced however this is based on the assumption that the pension fund will remain in surplus and therefore contributions will reduce in the next triennial review. This will continue to be worked upon due the next few months and years to ensure that this can be realised.

## **5. TREASURY MANAGEMENT**

- 5.1.** Annex A summarises the budget estimates for interest and investment income activity. Security of capital remains the Council's main investment objective.
- 5.2.** Investment interest rates are likely to remain around 5% for the next year and then steady reduce in the medium term. Returns from traditional fixed term cash deposits have improved but growth is still being achieved through alternative investment sources such as investment in property assets and multi-asset funds which include exposure to the bond and equity markets. Alternative investment methods will be pursued in future while ensuring security of capital is maintained.

## **6. RESERVES**

- 6.1.** Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to comment upon "the robustness of the estimates and the adequacy of the reserves for which the budget provides". This review formed part of the formal budget setting report presented to Council in February 2023. A projection of the level of reserves to be held at 31 March 2024 and 31 March 2025 are detailed in Annex E.
- 6.2.** The Council has proactively strengthened reserves when appropriate and it is necessary to continue this through the use of underspends and one-off income. It is therefore recommended that any future underspends or unforeseen income are earmarked for transfer to the future deficits earmarked reserve.

## **7. CAPITAL PROGRAMME**

- 7.1.** The proposed capital programme for the period revised for 2023-2024 and then from 2024-2025 to 2027-2028 is at Annex D.
- 7.2.** This now includes the approved Levelling Up projects and funding as per the approved bid including the Five Acres development. There is also money set aside for Property Regeneration / Investment, waste vehicle and waste depot and climate change investment as per last year's Capital Programme and Approved Budget.

Full Council approved its capital strategy in February 2023 which allocated capital resources to key schemes which included the acquisition of a depot and a property investment portfolio which will help the Council to become more self-financing. Progress has been made on key projects this year such as the investment in PV Solar Panels, levelling up projects, waste depot and ICT improvements.

## **8. CONSULTATION AND FEEDBACK**

- 8.1. Formal consultation on the detailed interim budget proposals will be over the period 22 December 2023 to 19 January 2024. Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period all interested parties are welcome to provide feedback on the initial budget proposals. Residents, businesses, parish and town councils, staff and trade unions will be encouraged to comment on the initial budget proposals at this time. They will be asked to identify, as far as possible, how alternative proposals complement the Council's corporate priorities and objectives, how they will be financed, and how they will help the Council to achieve best value.
- 8.2. The Strategic Overview and Scrutiny Committee will be invited to review the interim budget proposals at the meeting scheduled for 11 January 2024 and feed any comments back to the Cabinet.
- 8.3. This report and any updates will also be considered by the Cabinet Portfolio Holder Finance Support Group in January 2023 and both the Cabinet Member for Finance and the Chief Finance Officer are keen that this Group should play a significant part in developing and supporting the budget process.
- 8.4. Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to consider their full implications and to be built into the budget. Accordingly, if alternative budget proposals are to come forward, this should happen as early as possible.
- 8.5. All comments relating to the initial budget proposals should be returned to the Chief Finance Officer by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals for submission to Council on 16 February 2023.

### **Assessment of Alternative Budget Proposals**

- 8.6. It is important that any political group wishing to make alternative budget proposals should discuss them, in confidence, with the Chief Finance Officer (preferably channelled through one Group representative) to ensure that the purpose, output and source of funding of any proposed change is captured.
- 8.7. Given the financial pressures and the potentially very difficult decisions which will have to be made, it is very 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**

- 8.8. At the end of the consultation period, the Cabinet will draw up firm budget proposals having regard to the responses received. In drawing together its budget proposals for Council the report will reflect the comments made and the Cabinet's response. The firm budget proposals will be presented to Council at the budget setting meeting for decision in February 2024.

## **9. FINANCIAL IMPLICATIONS**

- 9.1.** These are detailed throughout the report.

## **10. LEGAL IMPLICATIONS**

- 10.1.** 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 the requirements of those Rules.

## **11. RISK ASSESSMENT**

- 11.1.** The Council will ameliorate any legal risks in its budget planning by ensuring it complies with the requirements of the Local Government Finance Act 1992 and the Local Government Act 2003 in its budget preparations.
- 11.2.** The other risks relevant to the process combine financial risk and reputational risk.
- 11.3.** 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 impossible to prepare budgets year on year without making unplanned cuts in service provision. It is therefore important that the financial implications of all Council decision are included in any decision making process. This includes the returning of services to the Council which will bring more Council control over future savings however may include some one-off additional costs and more ongoing costs. The transition plan and due diligence over the decisions made will be key to ensuring control over these costs.
- 11.4.** If the Future Deficits Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances or other earmarked reserves which may consequently fall below the minimum required level as recommended by the Chief Finance Officer.
- 11.5.** Further delays in the government's funding reforms are expected to have an estimated negative financial effect and impact on the council's ability to deliver core frontline services in future.
- 11.6.** If funding streams including New Homes Bonus, Business Rates, Rural Services Delivery Grant and Revenue Support grant do not meet expectations, are reduced further or not replaced then the budget gap will increase above current projections.
- 11.7.** Historically, the Council has used in-year savings to fund one-off growth/new initiatives. As a result of budgets getting tighter, there may 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. The projections indicate that without corresponding savings, no new initiatives or growth can be accommodated after 2024-2025.
- 11.8.** There is always a risk of unforeseen events.

## **12. EQUALITIES IMPACT**



**12.1.** There are no direct implications.

**13. CLIMATE CHANGE IMPLICATIONS**

**13.1.** There are no direct implications, however funding is in place for further projects to improve this such as Solar PV schemes across the Council estate. Funding is also in place to deliver the current action plan but this will need to be reviewed to ensure delivery against the 2030 declaration can be met.

**14. ALTERNATIVE OPTIONS**

Consideration of alternative options is covered in paragraphs 8.6 and 8.7.

**15. BACKGROUND PAPERS**

**15.1.** 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:

- Report F.646 to Cabinet Budget Strategy and Process 2024-2025 dated 9 November 2023 and associated minutes

**15.2.** These documents will be available for inspection at the Council Offices at Coleford during normal office hours for a period of up to 4 years from the date of the meeting. Please contact the author of the report.