Public Document Pack

RYEDALE DISTRICT COUNCIL

Please Contact	Nicki Lishman
Extension	476
Date of Publication	Wednesday, 27 January 2016
E Mail	nicki.lishman@ryedale.gov.uk

POLICY AND RESOURCES COMMITTEE

Thursday 4 February 2016 at 6.30 pm

Council Chamber, Ryedale House, Malton

Agenda

1 **Emergency Evacuation Procedure**

The Chairman to inform Members of the Public of the emergency evacuation procedure.

2 **Apologies for absence**

3 **Minutes of the meeting held on 26 November 2016** (Pages 3 - 8)

4 **Recommendations from the Resources Working Party held on 21 January 2016** (Pages 9 - 12)

5 **Urgent Business**

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.

6 **Declarations of Interest**

Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not discharged by merely declaring a personal interest without further explanation.

PART 'A' ITEMS - MATTERS TO BE DEALT WITH UNDER DELEGATED POWERS OR MATTERS DETERMINED BY COMMITTEE

7 **To review the membership of the Resources Working Party**

Changes were made to committee membership at Council on 14 January 2016. Cllrs Jainu-Deen and Keal were appointed to the Overview and Scrutiny Committee. There is a requirement that no Member shall scrutinise a decision in which they have been directly involved. Therefore the Policy and Resources Committee need to review and amend the membership of the Resources Working Party to replace Cllrs Jainu-Deen and Keal.

The current membership is:

Resources Working Party
Conservatives – Councilllors S Arnold, V Arnold, Cowling, Ives, Jainu-Deen and Raper, substitutes Councillors Farnell, Frank and Hope.
Liberals – Councillor Clark, substitute Councillor Thornton
Liberal Democrats – Councillor Keal
Independents – Councillor Maud
New Independents – Councillor Burr, substitute Councillor P Andrews

8 **Delivering the Council Plan** (Pages 13 - 20)

PART 'B' ITEMS - MATTERS REFERRED TO COUNCIL

9 **Financial Strategy 2016/2017** (Pages 21 - 70)

10 **Response to the New Homes Bonus: Sharpening the Incentive - Technical Consultation** (Pages 71 - 102)

11 **Any other business that the Chairman decides is urgent.**

Policy and Resources Committee

Held at Council Chamber, Ryedale House, Malton
on Thursday 26 November 2015

Present

Councillors Paul Andrews, Steve Arnold (Vice-Chairman), Val Arnold, Bailey, Clark, Cowling (Chairman), Ives and Raper

Overview & Scrutiny Committee Observers: Councillor Wainwright

In Attendance

Simon Copley, Denise Hewitt, Peter Johnson, Phil Long and Janet Waggott

Minutes

36 **Apologies for absence**

Apologies for absence were received from Councillor Oxley.

37 **Minutes of the meeting held on 24 September 2015**

Decision

That the minutes of the meeting of the Policy and Resources Committee held on 24 September 2015 be approved and signed by the Chairman as a correct record, subject to the addition of a note after minute 24 (Land at Wentworth Street Car Park) stating that the officer recommendation was not debated or voted upon.

Voting record
8 for
0 against
0 abstentions

38 **Recommendations from the Resources Working Party held on 12 November 2015**

Decision

That the recommendations from the Resources Working Party held on 12 November 2015 be approved.

Voting record
6 for
0 against
2 abstentions

39 **Urgent Business**

There were no items of urgent business.

40 **Declarations of Interest**

The following interest was declared:

Councillor Bailey declared a personal pecuniary and prejudicial interest in agenda item 14 (New Homes Bonus request from North York Moors National Park) as Chairman of the North York Moors National Park Authority and left the room, taking no part in the debate or vote thereon.

PART 'A' ITEMS - MATTERS TO BE DEALT WITH UNDER DELEGATED POWERS OR MATTERS DETERMINED BY COMMITTEE

41 **Revenue Budget Monitoring**

Considered – Report of the Finance Manager (s151).

Decision

That the contents of the report be noted.

Voting record
7 for
0 against
0 abstentions

42 **Treasury Management Monitoring Report**

Considered – Report of the Finance Manager (s151).

Decision

That:

i) Members receive the report; and
ii) the current investments and performance in 2015/16 be noted.

Voting record
7 for
0 against
0 abstentions

43 **Delivering the Council Plan**

Considered – Report of the Head of Corporate Services.

Decision

That the report be noted.

Voting record
7 for
0 against
0 abstentions

44 **Appointments to the Senior Management Contracts Working Party**

Decision

That the Senior Management Contracts Working Party comprise:
4 Conservative Members - Councillors Steve Arnold, Cowling, Farnell and Goodrick, with Councillors Val Arnold and Frank as substitutes;
2 Opposition Members - names to be advised following discussions between the Opposition groups.

Voting record
6 for
1 against
0 abstentions

45 **Change of membership to Resources Working Party**

Decision

That a change of membership to Resources Working Party be agreed so that the
New Independent representatives were - Councillor Burr, substitute Councillor Andrews

Voting record
6 for
0 against
1 abstention

PART 'B' ITEMS - MATTERS REFERRED TO COUNCIL

46 **Ryedale District Council's Safeguarding Policy**

Considered – Report of the Head of Planning and Housing.

Recommendation to Council

That Council is recommended to approve the adoption of the Safeguarding Children and Adults at Risk Policy and Procedures.

Voting record
8 for
0 against
0 abstentions

47 **Local Council Tax Support 2016/17 Scheme**

Considered – Report of the Finance Manager (s151).

Recommendation to Council

That Council be recommended to:
(i) a Local Council Tax Support Scheme for 2016/17 to include a minimum payment of 8.5%, and with the charges proposed to limit the backdating of claims to one month instead of six months and to remove the family premium from 1 May 2016.

(ii) to authorise the Finance Manager in consultation with the Chairman of Policy and Resources Committee to undertake the necessary consultation work to design a scheme for 2017/18, in light of the experience in previous years, to be presented to Policy and Resources Committee in December 2016.

Voting record
7 for
0 against
1 abstention

48 **New Homes Bonus request from North York Moors National Park**

Considered – Report of the Finance Manager (s151).

Decision

That consideration of the report be deferred for provision of further information.

Voting record
7 for
0 against
0 abstentions

49 **Living Wage Motion**

Considered – Report of the Corporate Director.

Recommendation to Council

That Council be recommended:

A That the following motion not be approved:

Ryedale Council has an objective of increasing the average wage level in Ryedale.
So as to set an example and show sound leadership this Council resolves to:

i) "Pay all RDC employees, excluding apprentices, at the Living Wage or above";
and

ii) "That preference will be given to external contracts where the applicant pays the Living Wage or above."

Any cost of the above to be financed in 2015/16 year from the reserves.

Voting record
2 for the motion
5 against the motion
1 abstention

B i. To pay RDC employees, excluding apprentices, who currently earn less than the living wage at the rate of £7.85 hr with effect from 1 November 2015 retrospectively until such time as this is naturally overtaken by the National Living Wage.

ii. Not to sign up to the Living Wage Foundation concept for the reasons outlined in the report.

Voting record
7 for
1 against
0 abstentions

50 **Timetable of Meetings 2016/17**

Considered – Report of the Council Solicitor.

Recommendation to Council

That Council is recommended to approve the timetable of meetings for 2016-17.

Voting record

4 for 1 against 2 abstentions

51 **Any other business that the Chairman decides is urgent.**

There being no other business, the meeting closed at 8.45pm.

Resources Working Party

Held at Meeting Room 1, Ryedale House, Malton
on Thursday 21 January 2016

Present

Councillors Cowling (Chairman), Ives, Keal, Steve Arnold and Raper

In Attendance

Councillor Wainwright, Janet Waggott, Peter Johnson, Beckie Bennett, Phil Long, Clare Slater and Will Baines

Minutes

25 **Apologies for absence**

Apologies for absence were received from Councillors Jainu-Deen and V. Arnold.

26 **Minutes of the meeting held on the 12 November 2015**

Decision

That the minutes of the meeting of the Resources Working Party held on 12 November 2015 be approved and signed by the Chairman as a correct record.

27 **Urgent Business**

There were no items of urgent business.

28 **Declarations of Interest**

There were no declarations of interest.

29 **Ryedale House - Verbal update**

Considered – Verbal update of the Chief Executive.

Decision

That the verbal update be noted.

30 **CAB - Verbal update**

Considered – Report of the Chief Executive.

Decision

That the verbal update be noted.

31 **Financial Management Information**

Considered – Report of the Finance Manager (s151).

Decision

That the report be received.

32 **Capital Programme Progress Report**

Considered – Report of the Finance Manager (s151).

Decision

That the report be noted.

33 **Capital Monitoring**

Considered – Report of the Finance Manager (s151).

Decision

That the report be noted.

34 **Proposed Capital Programme 2015/16 to 2019/20**

Considered – Report of the Finance Manager (s151).

Decision

That the report be received.

35 **New Homes Bonus Reserve**

Considered – Report of the Finance Manager (s151).

Decision

That the report be received.

36 **Any other business that the Chairman decides is urgent.**

There being no other business, the meeting closed at 7:30pm.

This page is intentionally left blank

Council Plan 2015-20

Generated on: 12 January 2015

1. Employment Opportunity & Economic Success	EC 10	EC 12a	EC 12b	EC 12c	EC 12d	EC 13a	EC 13b	EC 40					
2. Housing Need	HS 10a	HS 10b	HS 11	HS 14	BS RB 3	FP 7	FP 8	HS 5	HS 8	BS RB 2	HS 1	HS 2	HS 17
3. High Quality Environment	DM 157a	HE 13	SS 15	SS 17	SS 35	SS 36	DM 157c	SS 192	DM 2	DM 157b	SS 16		
4. Active Safe Communities	EC 77	HE 10											
5. Transforming the Council	BS AS 3	BS BI 2	BS RB 11	BS RB 12	BS AS 1 RDC	HR A 01 R	BS MD 1						

Key

Data Only Indicator for monitoring trend   Performance is improving   Performance has stayed the same   Performance has got worse

Agenda Item 8

1. Employment Opportunity & Economic Success

EC 10	Total Job Seeker Allowance Claimants Aged 16 - 64				
Current Value	0.6%	December 2015	Previous value	0.7% November 2015	Data is published monthly
Yorkshire & Humber - 2.0% GB - 1.5%					

EC 12a	% Ryedale population aged 16-64 qualified - NVQ1 or equivalent				
Current Value	83.1%	Jan-Dec 2014	Previous value	91.9% Jan-Dec 2013	Data is published annually
Ryedale had 24,300 residents between January-December 2014 aged 16-64 studying at NVQ1 level and above. Young people achieve level 1 and 2 NVQ's in order to improve their career prospects. The council has targeted resources through various apprenticeships. This level is a stepping stone to future learning opportunities.					

EC 12b	% Ryedale population aged 16-64 qualified - NVQ2 or equivalent				
Current Value	67.5%	Jan-Dec 2014	Previous value	80% Jan-Dec 2013	Data is published annually
Ryedale had 19,700 residents between January-December 2014 aged 16-64 studying at NVQ2 level and above. Young people achieve level 1 and 2 NVQ's in order to improve their career prospects. The council has targeted resources through various apprenticeships. This level is a stepping stone to future learning opportunities.					

EC 12c	% Ryedale population aged 16-64 qualified - NVQ3 or equivalent				
Current Value	54.4%	Jan-Dec 2014	Previous value	53.2% Jan-Dec 2013	Data is published annually
The percentage of Ryedale residents aged 16-64 reaching NVQ3 and above continues to grow, with 15,900 attaining the qualification from January-December 2014. This puts Ryedale above the North Yorkshire and Yorkshire and The Humber average for this level of qualification.					

EC 12d	% Ryedale population aged 16-64 qualified - NVQ4 or equivalent				
Current Value	41%	Jan-Dec 2014	Previous value	40.1% Jan-Dec 2013	Data is published annually
Ryedale performance is well above the North Yorkshire and Yorkshire and The Humber average for this level of qualification.					

EC 13a	Gross weekly earnings by workplace				
Current Value	£414.00	2014/15	Previous value	412.60 2013/14	Data is published annually
Ryedale has the lowest level of earnings by workplace in Yorkshire and the Humber.					

EC 13b	Gross weekly earnings by residency				
Current Value	£424.80	2014/15	Previous value	412.60 2013/14	Data is published annually
Although an increase in weekly pay compared to last year - Ryedale still has the lowest Gross weekly earnings in Yorkshire and Humber.					

		EC 40	Employment Rate - aged 16-64		
Current Value	84.5%	2014/15	Previous value	81% 2013/14	Data is published annually
2014-15: GB 72.7% Y&H 71.0%					

2. Housing Need

		BS RB 2	Speed of processing - new HB/CTB claims		
Current Value	24.1 days	December 2015	Current Target	25.0 days	
Changes and improvements introduced have resulted in improved timescales					

		BS RB 3	Speed of processing - changes of circumstances for HB/CTB claims		
Current Value	4.9 days	December 2015	Current Target	12.0 days	
The addition of two extra staff has improved the speed of processing any changes of circumstances to well within the target range.					

		FP 7	Net additional homes provided		
Current Value	261	2014/15	Current Target	200	
During 2014-15, 261 additional homes were provided, which exceeded the target figure of providing 200 additional homes. see the Strategic Housing Land Availability assessment for predictions for future delivery http://www.ryedaleplan.org.uk/attachments/article/132/SHLAA_Part1_2015_v2.pdf					

		FP 8	Supply of deliverable housing sites		
Current Value	118.0%	2014/15	Current Target	100.0%	See Annual Monitoring Statement and Strategic Housing Land Availability Assessments. Target five year housing supply= 100%
Supply = 5.92 years taking into account undeveloped allocations.					

		HS 5	Number of Homeless Applications		
Current Value	11	Q3 2015/16	Current Target	13	Total number of applications for 2014/15 = 30
Eleven homeless applications were received between 01/10/2015 and 31/12/2015					

		HS 8	Prevention of Homelessness through Advice and Proactive Intervention (values and targets are per quarter, not accumulative)		
Current Value	42	Q3 2015/16	Current Target	39	Target is to achieve 10% improvement in numbers of preventions year on year
Between 01/10/2015 and 31/12/2015 there were 42 homelessness preventions through the Local Authority					

		HS 10a	% Households in Ryedale in Fuel Poverty (10% income measure)		
Current Value	26%	2013/14	Current Target	27.9%	Target is to improve on previous years performance
Results published June 2014. Est. no. of households 23,090 of which 6,446 in fuel poverty.					

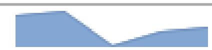
		HS 10b	% Households in Ryedale in Fuel Poverty (Low Income High Cost)		
Current Value	10.6%	2013/14	Current Target	11.9%	Target is to improve on previous years performance
Updated May 2015: 2013-14 - Est No. of households 23,046 and 2,440 households in fuel poverty					

		HS 11	Empty Domestic Properties		
Current Value	243	2014/15	Current Target	249	Target is to improve on previous years performance
This is the figure used to claim New Homes Bonus calculated in October 2015.					

		HS 14	Affordability Ratio		
Current Value	7.36	2013/14	Current Target	8.65	Target is to improve on previous years performance
North Yorkshire 7.20, England 6.45					

		HS 1	Homeless applications on which RDC makes decision and issues notification to the applicant within 33 working days (was LPI 70)		
Current Value	88.9%	Q3 2015/16	Current Target	100.0%	Target is to decide on all applications within 33 days
During Q3 2015/16 9 decisions were made, 8 of which issued notifications within 33 days.					

		HS 2	Length of stay in temporary accommodation (B&B, weeks) Snapshot		
Current Value	7.00 weeks	Q3 2015/16	Current Target	4.00 weeks	Target: National maximum allowable is 6 weeks. Local target of 4 weeks
During quarter 3 of 2015-16, 1 household was accommodated in B&B, the average stay was 49 nights					

		HS 17	Number of affordable homes delivered (gross)		
Current Value	17	Q3 2015/16	Current Target	57	35% of market housing target would result in 70 affordable homes arising from 200 net additional homes.
Only 23 affordable homes completed to date, however with predicted housing delivery for 2015/16 of 263, the target should be achieved by the end of the year.					

3. High Quality Environment

DM 157a	Processing of planning applications: Major applications (13 weeks)				
Current Value	82.60%	December 2015	Current Target	70.00%	Targets originally set under Planning Delivery Grant regime

HE 13	% of Food establishments in the area broadly compliant with food hygiene law				
Current Value	74%	2014/15	Current Target	72%	Target is to improve on previous year. Assessments of premises undertaken using risk based scoring and national guidance. 17% of premises are low risk and not accessed and by default not compliant under the national definition for this indicator.
A total of 624 Food Establishments were broadly compliant in 2014-15					

SS 15	% of Household Waste Recycled				
Current Value	21.31%	2014/15	Current Target	20.00%	Target set following analysis of previous performance levels
Performance continues to improve slightly but priority is now to maintain this level of performance					

SS 17	Household Waste Collection - % change in kilograms per head				
Current Value	-1.38%	2014/15	Current Target	0.25%	Target is to improve on previous years change
2014-15 463.03 kg/per household and 423.31 kg/per head for Household Waste.					

SS 35	% CO_2 reduction from LA operations.				
Current Value	-12.5%	2014/15	Current Target	-7.5%	Target set for three years, based on national guidance. To be reviewed following analysis of performance to date
Reduction is mainly due to the local swimming pools contract being taken over by Everyone Active. The data is collated using the bills of the properties being paid for by RDC.					

SS 36	Tonnes of CO_2 from LA operations				
Current Value	1,418	2014/15	Current Target	1,622	Target set for three years, based on national guidance. To be reviewed following analysis of performance to date
Reduction is mainly due to the local swimming pools contract being taken over by Everyone Active. The data is collated using the bills of the properties being paid for by RDC.					

DM 157c	Processing of planning applications: Other applications (8 weeks)				
Current Value	87.60%	December 2015	Current Target	90.00%	Targets originally set under Planning Delivery Grant regime
Performance has been improving for some months and this trend is continuing. Customer satisfaction has increased on previous years					

		SS 192	% of household waste sent for reuse, recycling and composting		
Current Value	48.07%	2014/15	Current Target	49.70%	National target to achieve 50% by 2020
Reduction largely due to the introduction of charges for garden waste collection- need to revise target in 15/16.					

		DM 2	Planning appeals allowed		
Current Value	42.9%	Q3 2015/16	Current Target	33.0%	Target based on national averages and benchmarking
The national performance level is consistently in line with the target figure of 33%, performance for Ryedale has varied because of the relatively low number of appeals received.					

		DM 157b	Processing of planning applications: Minor applications (8 weeks)		
Current Value	71.70%	December 2015	Current Target	78.00%	Targets originally set under Planning Delivery Grant regime
Performance has been improving for some months and this Trend is continuing. Customer satisfaction has increased on previous years . Minor applications requiring developer contributions are affecting performance in this category arising from the need for s106 agreements to accompany the planning permission					

		SS 16	% of Household Waste Composted		
Current Value	26.76%	2014/15	Current Target	30.00%	Target set following analysis of previous performance levels
Reduction largely due to the introduction of charges for garden waste collection . Need to revise target for 15/16 and also consider participation target					

4. Active Safe Communities

		EC 77	Total Crime in Ryedale		
Current Value	144	December 2015	Current Target		

		HE 10	Adult participation in sport and active recreation. Sport England Active People Survey-Annual		
Current Value	32.7%	2014/15	Current Target	36.8%	Target is to improve on previous years performance
Final result for Oct 2014-Oct 2015 updated as part of APS9 to 32.7% Y&H 34.1% England 35.8%					

5. Transforming the Council

		BS AS 3	Payments made using electronic channels			
Current Value	94%	December 2015	Current Target	85%	Target is set to maintain performance	
Electronic channels include web, telephone and Direct Debit.						

		BS BI 02	% FOI Requests responded to within 20 working days			
Current Value	100%	December 2015	Current Target	90%	Target is set to maintain performance	
28 of 28 FOIs responded within 20 working days						

		BS RB 11	% of Council Tax collected			
Current Value	86.26%	December 2015	Current Target	57.57%	Target is set to maintain performance	
Q3 2015-16 Collection rates are in line with the previous years performance						

		BS RB 12	% of Non-domestic Rates Collected			
Current Value	85.94%	December 2015	Current Target	60.28%	Target is set to maintain performance	
Q3 2015-16 Collection rates are in line with the previous years performance						

		BS AS 1 RDC	Service enquiries resolved at first point of contact (telephone)			
Current Value	71%	December 2015	Current Target	50%	Target is for year on year improvement	
Total figure is not representative, as current lengthy call logging procedure means staff are unable to log the high volume of calls received during periods of peak call times.						

		BS MD 1	Standard searches done in 5 working days			
Current Value	10.0%	November 2015	Current Target	90.0%	Target is set to maintain performance	
Very late replies from NYCC resulting in no searches dispatched in 5 days						

		HR A 01 R	Average number of Working Days Lost Due to Sickness Absence per FTE, RYEDALE			
Current Value	0.69 days	December 2015	Current Target	0.63 days	Target is North Yorkshire average for 2009	

This page is intentionally left blank

RYEDALE DISTRICT COUNCIL

PART B:	**RECOMMENDATIONS TO COUNCIL**
REPORT TO:	**POLICY AND RESOURCES COMMITTEE**
DATE:	**4 FEBRUARY 2016**
REPORT OF THE:	**FINANCE MANAGER (s151)** **PETER JOHNSON**
TITLE OF REPORT:	**FINANCIAL STRATEGY 2016/2017**
WARDS AFFECTED:	**ALL**

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 The report sets out the budget for 2016/17, a proposed Council Tax level, the Financial Strategy, details of balances and reserves, the indicators under the Prudential Code for capital finance as required by the Local Government Act 2003 and the Pay Policy for 2016/2017.

1.2 Members should note that this report is prepared on the basis of the provisional Local Government Finance Settlement. Further updates will be provided to the meeting.

2.0 RECOMMENDATIONS

2.1 That Council is recommended:

(i) To approve the Council's Financial Strategy (Annex A) which includes:

a. Savings/additional income totalling £584k (Financial Strategy Appendix A)
b. Growth Pressures totalling £410k (Financial Strategy Appendix A)
c. The Prudential Indicators (Financial Strategy Appendix B)
d. The revised capital programme (Financial Strategy Appendix D)
e. The Pay Policy 2016/2017 (Financial Strategy Appendix E)

(ii) a Revenue Budget for 2016/2017 of £6,308,083 which represents a nil increase in the Ryedale District Council Tax, retaining the total charge at £176.72 for a Band D property (note that total Council Tax, Including the County Council, Fire and Police is covered within the separate Council Tax setting report to Full Council);

(iii) to approve the special expenses amounting to £35,100;

(iv) to note the financial projection for 2016/17 – 2020/21 (Annex B).

3.0 REASON FOR RECOMMENDATIONS

3.1 To agree a balanced revenue budget for submission to Council for the financial year 2016/2017 and prepare the Council to deliver the same in future years.

4.0 SIGNIFICANT RISKS

4.1 Section 9 of the Financial Strategy outlines the significant risks in the Council's finances and mitigating controls.

5.0 POLICY CONTEXT CONSULTATION

5.1 The Financial Strategy is a key strategy document that affects all service delivery. It links to the Corporate Plan and all other strategic plans as well as providing the means for attaining the Council's objectives and priorities.

5.2 The Policy and Resources Committee is the Committee designated to make recommendations to the Council relating to the budget and levels of Council Tax. Consequently, recommendations from this Committee will inform the Council and subsequently the Council Tax resolution.

5.3 Budget consultation with the public took place last year. A questionnaire was made available for residents to complete online via the Council website, and was also sent out to the members of the Citizens Panel. A summary of the result of the consultation is available for Members.

5.4 Member consultation has been through the Resources Working Party and Member Briefing.

REPORT

6.0 BACKGROUND AND INTRODUCTION

6.1 The Financial Strategy sets out the Council's financial position in the medium term in detail, including issues around the Local Government Finance Settlement and efficiencies as well as the principles and procedures adopted by the Council to manage its finances to a high standard.

6.2 Monitoring of the 2015/2016 budget has taken place through the Resources Working Party and this Committee who receive Revenue Budget Monitoring reports. There are currently no material issues arising from the current year's revenue budget.

KEY ASSUMPTIONS

6.3 In preparing the draft budget for consideration a number of pieces of key information are not yet known and government announcements are awaited. Key assumptions therefore are:

- The final settlement will not vary significantly from the draft announcement including NHB.
- The figures in this report are based on the draft NNDR1, the deadline for the NNDR1 is the 31 January.
- Capital receipts assumed in the capital programme from the sale of property and land will be received.

Budget and Council Tax for 2016/2017

6.4 Budgets have been drafted in line with Service Delivery Plans and the Budget Strategy. The following budget assumptions have been made in preparing the budget:

- General Inflation 3%
- Pay Inflation 1.0%
- Fees and Charges up to 4.5%, with exceptions considered by the Policy and Resources Committee (all Fees and Charges were set within the parameters).

6.5 Council resolved on the 8 October 2015 that the budget be prepared on the assumption of a nil increase in Council Tax.

6.6 The referenda limit for 2016/17 was proposed at 2% as part of the Local Government Finance Settlement announced on 17th December. With a referenda costing c£70k to undertake and with 2% on Council Tax equating to c£70k it is clear that the Council should not approve a position which requires a referenda.

6.7 The Government also confirmed that Council Tax Freeze Grant would not be available for 2016/17. This news was accompanied by an assumption that Local Authorities would apply an inflationary increase to Council Tax throughout the life of the current Parliament.

6.8 The budget as presented with this report assumes no increase in the RDC part of the Council Tax. Should members wish to revert to an increase, the adjustment to the figures is relatively straightforward, with the increase being seen through a £74k decrease in the New Homes Bonus required to support the revenue budget.

Grant Settlement and specific grants

6.9 The Provisional Local Government Finance Settlement was announced on the 17 December 2015, at the time of writing this report the final announcement had not been received.

6.10 The Council has received figures for Revenue Support Grant (RSG) and Rural Service Delivery Grant for 2016/17 as part of the provisional settlement. The draft announcement on the 17 December was slightly better than expected in relation to these funding streams,l mainly through an increase of £32k in rural service delivery grant . This brings the total rural service delivery funding to £141k. The new funding is welcomed, although is still far from compensating for lost grant for rural areas through the formula damping system.

6.11 There were a number of announcements and changes to business rates announced in the autumn statement. Councils will not lose financially from the announcements and section 31 grant will be available to compensate.

6.12 In addition to the above there are the following significant specific grant movements for RDC:

Grant	**£k**
Reduction in Benefits Administration Subsidy Grants (part estimate)	(48)
Loss of Individual Electoral Registration Grant	(11)
Loss of Council Tax Freeze Grant	(39)
Loss of New Burdens Funding LCTS (estimate)	(10)

Retained Business Rates

6.13 Members will be aware that from 2013/14 the Council retains a percentage of business rates. The Council retains 40% of the rate income it collects; it then pays a fixed tariff to the Government (£5.174m in 16/17). If it then has income above a pre determined target the Council keeps 50% of this sum with the remainder paid as a levy to the Government.

The Government has announced that Local Authorities will keep 100% of Business Rate Income before the end of the current Parliament, in return additional responsibilities are to be devolved to Local Government. Consultation on a new scheme will take place in the summer of 2016.

6.14 Members are also aware that the Council has formed a business rates pool with North Yorkshire County Council (NYCC), Richmondshire District Council, Scarborough Borough Council, Hambleton District Council and Craven District Council. The benefit of forming the pool is that the levy rate on growth above target is reduced to zero. This benefit is shared between the pool members in accordance with the agreement, the level of benefit is dependent on the performance of each member of the pool (excluding NYCC), having particular regard to the level of business rate appeals.

Council Tax Income

6.15 Council Tax income, including the projected surplus on the collection fund is estimated at £3.770m. A 1.99% increase in Council Tax equates to £74k in 2016/17 and is worth £380k to the Council over the next 5 years. The Council Tax Base has increased by 1.93% for 2016/17 and provides additional income to assist the Council's financial position.

Base Budget Adjustments

6.16 These are as follows:

Issue	£k
Pay and Price Inflation	126

Growth Items

6.17 The position is detailed in appendix A to the Financial Strategy at Annex A.

Savings/Additional Income

6.18 At council in October 2013 members approved savings which helped to deliver a balanced budget in both 2014/15 and 2015/16. The Council has undertaken a Voluntary Redundancy process which, when combined with the removal of a number of vacant posts from the establishment, will deliver £435k of efficiency savings.

6.19 The annual root and branch review has delivered further efficiencies of £149k (the position is detailed in appendix A to the Financial Strategy at Annex A).

New Homes Bonus

6.20 Provisional figures for 2016/17 show an increase in New Homes Bonus (NHB) from £1.387m to £1.676m. To date the Council has used £559k to support the revenue budget and £288k to fund the shortfall on the capital programme, the plans approved last year identified the gradual increase in use of this revenue funding to protect services. The Provisional Finance Settlement provided Illustrative figures for NHB as part of the 4 year settlement, in addition the Government is currently consulting on proposed changes to the NHB scheme. It appears likely that, as a minimum, a new scheme will reduce the period over which payment is made for additions to the Council Tax base from 6 to 4 years. Current indications are that this change will start to have a negative impact on the finances of the Council from 2018/19.

6.21 The budget as proposed includes an additional £289k in NHB receipts and uses an additional £325k of the 2016/17 NHB to support the revenue budget and £188k to fund the shortfall on the capital programme. There is therefore £604k of NHB unallocated in the budget and this will be transferred into reserves. **Officers recommend that this balance be ring fenced subject to a further report to this Committee focusing on transformational support.**

6.22 Members also need to be aware of risks around the capital programme later in this report which may need to be financed from part of this remaining sum.

Summary Revenue Budget Position

6.23 Taking all of the above into account the summary position is as follows:

Issue	**£k**
Base Budget Brought forward	6,823
Add:	
Base Budget Adjustments	126
Growth items	409
Total ‘Cost’	7,358
Less:	
Retained Business Rates	1,775
Council Tax Income	3,770
Revenue Support Grant	763
Rural Service Delivery Grant	141
Efficiencies/Savings/Additional Income	584
Movement in New Homes Bonus	325
Balance	0

6.24 Given the significant efficiencies already within the proposed budget and Financial Strategy it will be difficult to identify additional robust deliverable efficiency savings for the 2016/17 budget. Therefore any Member proposals for ongoing additional expenditure will necessitate cuts to existing services.

Medium Term Revenue Forecast (MTRF) projections to 2020/21

6.25 Members will note the financial projections to 2020/21 (Annex B). As part of the 2016/17 provisional finance settlement the Government have provided 4 year indicative figures, these figures highlight a significant reduction in NHB from 2018-19. A key element of the previous MTRF was the drip feed of NHB into the budget to enable the Council to reduce the savings requirement in each year. This is no longer an option and the reduction in New Homes Bonus will need to be met from additional savings from the revenue and capital budgets through the life of this MTRF. The forecast identifies £1.4m of savings being required in the four year period 2017/18 to 2020/21.

6.26 Annually when updating the capital programme a further year is added, which equates to around £500k of additional expenditure. The current programme includes ongoing funding from NHB of £288k to bridge the shortfall in delivering a basic capital scheme. In light of the proposed reduction in NHB funding and in order to reduce, to some extent, the impact on the revenue account it is proposed that the contribution from NHB is reduced by £100k from 2016/17 onwards to be matched by a like reduction in the cost of the capital programme. Because the current capital programme is fully funded up to 2018/19 this will only affect schemes from 2019/20 onwards. Without this action a further £100k in savings will be required from the revenue budget.

Capital Programme

6.27 The Financial Strategy provides a detailed breakdown of the Council's Capital Programme (appendix D) up to 2019/20 totalling £5.540m. External funding of £1.362m is included, leaving a balance of £4.178m to be financed by the Council's funds and reserves as follows:

Funding Source	£
Capital Fund	2,555k
Capital Receipts	563k
Borrowing	1,060k
	4,178k

6.28 The principle of the capital plan is that only those schemes which are fully worked up, evaluated and approved by Members and as such would not require further Member approval to proceed (other than in meeting constitutional requirements) are within the Capital Programme. The Capital Programme, as profiled above, necessitates the use of borrowing in 2015/16 and 2016/17.

6.29 Members should note that there are £238k unallocated capital resources available for investment in new schemes based on existing assumptions of capital receipts and investment interest receipts. Schemes on the reserve list are for information and the inclusion of any of the schemes will be a Council decision based on evaluation of the detailed proposals.

6.30 The 4 year capital programme is based upon the full capital receipt from the sale of a number of pieces of land and property. This is assumed within the capital programme at a value of £413k.

6.31 The capital programme as proposed also includes the predicted final payment towards the Brambling Fields junction improvements, which takes into account additional costs relating to irrecoverable VAT from the Highways Agency and a final split of costs with NYCC. The final split of costs is still subject negotiation. The maximum final cost is now estimated to be slightly in excess of the maximum scheme contribution agreed by Council, if this situation remains then a further report will be brought before members to approve this increase before payment is made. Assumptions about developer contributions have been increased to cover this cost. The position on the receipt of these will need consideration over time and may necessitate other funding to be identified if they are not received.

Pay Policy 2016/17

6.32 The Pay Policy for RDC for 2016/17, as required under the Localism Act is attached at appendix E to the Financial Strategy (Annex A).

Special Expenses

6.33 As in previous years, the Council undertakes the management of street lighting in the areas of the former Malton and Norton Urban District Councils and Pickering Rural District Council. The special expenses are a specific charge to the residents of the Parishes concerned and are estimated as follows:-

Town/Parish	£
Malton	4,860
Norton	9,770
Pickering Rural	20,470
TOTAL SPECIAL EXPENSES	**35,100**

National Non-Domestic Rates (NNDR)

6.34 For 2015/16 the NNDR multipliers are: a small business non-domestic rate multiplier of 48.0 p and a non-domestic rate multiplier of 49.3p. For 2016/17 the draft multipliers are 48.4 and 49.7p respectively.

Prudential Code

6.35 Under the Local Government Act 2003 it is necessary for the Council to agree a series of prudential indicators mainly related to capital but taking account of affordability of the revenue consequences. Appendix B of the Financial Strategy lists the various indicators.

6.36 These indicators can be amended during the year if they are found to be inadequate.

Funds & Reserves

6.37 As part of the budget setting process, it is necessary to give Members an indication of the levels of reserves and balances and comment thereon. Appendix C in the Financial Strategy sets out the projected major Funds and Reserve balances. The Council's revenue budget for 2016/17 assumes no draw on the General Reserve to support the budget. With the outlook for 2016/17 and beyond being very tough, and the scale and risk of achieving cost reduction being high, the council's policy on surplus reserves is clear: to invest to save and, if required, to smooth the curve of cost reduction in the light of timescales needed to drive costs out.

Local Government Act 2003 – Section 25 Report

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) to report to the Authority when it is making the statutory calculations required to determine its Council tax or precept. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

What is required is the professional advice of the Chief Finance Officer on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together. In particular, decisions on the appropriate level of reserves should be guided by advice based on an assessment of all the circumstances considered likely to affect the Authority.

In each Local Authority the Chief Finance Officer alone must prepare the Section 25 report.

Section 25 requires the report to be made to the Authority when the decisions on the calculations are formally being made (i.e. Council). However, those decisions are the conclusion of a process involving consideration of the draft budget by various parts of the organisation. During this process appropriate information and advice has been given at the earlier stages on what would be required to enable a positive opinion to be given in the formal report.

DCLG guidance states that "*it should be possible to identify the sections of a composite report that are made under section 25, so that the Authority is able to discharge its duty to take account of the statutory report under section 25 (2).*"

Section 25 Report (Report of the Chief Finance Officer – Finance Manager (s151))

In setting the Revenue budget for 2016/2017 **I consider that the proposed budget is robust, and reflects a realistic and prudent view of all anticipated expenditure and income.**

The total saving proposals are £584k. This level is significant in relation to the Authority's overall budget and therefore inherently carries a risk. The achievement of these savings will be crucial in managing within the budget. The risk of this has been mitigated in part by thoroughly reviewing all savings proposals for their robustness and effective budget monitoring procedures are in place. There inevitably remains a risk in delivering on this level of savings and there is always potential for delay in achieving savings or failure to achieve income targets. Where this occurs, compensating savings will need to be identified. Assumptions are within the 2016/17 budget that the 3 month moratorium £21k will be delivered.

The overall level of reserves is considered in detail within the Financial Strategy. I consider that the overall level of reserves is adequate.

The Capital Plan and Capital Programme have been regularly reviewed during the year. The unapplied capital resources will need to be considered in knowledge of the ongoing expectations of low interest rates and limited capital receipts generated by the Authority. It is important that proper project management disciplines are followed for schemes within the programme together with regular monitoring to minimise the potential for unexpected overspends.

Within the current economic climate it will be important that close budget monitoring of services which generate income and partnerships takes place. In particular Land Charges, Building Control, Recycling, Trade Waste, Green Waste, Car Parking, Planning and Ryecare to enable action to be taken in year where necessary.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

a) Financial
Significant financial implications on the Council are detailed in the report and the Financial Strategy.

b) Legal
There are no additional legal issues on the Council from the recommendations.

c) Other
The proposals within the Financial Strategy do impact on the staffing resources of the Authority. Appropriate procedures and plans are in place to manage these issues.

Peter Johnson
Finance Manager (s151)

Author: Peter Johnson, Finance Manager (s151)
Telephone No: 01653 600666 ext: 385
E-Mail Address: peter.johnson@ryedale.gov.uk

Background Papers:

Provisional local government finance settlement: England, 2016 to 2017 and future years - GOV.UK

New Homes Bonus: sharpening the incentive: technical consultation - Consultations - GOV.UK

Ryedale District Council - budget consultation

Background Papers are available for inspection at:
N/A

This page is intentionally left blank

ANNEX A

RYEDALE
DISTRICT
COUNCIL

FINANCIAL STRATEGY

2016-2020

FINANCIAL STRATEGY

CONTENTS

Main Report

1. Purpose and Scope

2. Objectives of the Financial Strategy

3. The Current Financial Position

4. The Financial Strategy Objectives

5. The Revenue Plan 2016 - 2020

6. Development of the Financial Strategy

7. The Capital Plans 2016 - 2020

8. Balances and Reserves

9. Impact/Risk Assessment

10. Pay Policy 2016/2017

11. Conclusion

Appendix A: 2016/2017 Revenue Budget Pressures and Savings

Appendix B: Prudential Indicators

Appendix C: Reserves and Balances

Appendix D: Capital Programme 2016 - 2020

Appendix E: Pay Policy 2016/2017

1. INTRODUCTION – THE PURPOSE AND SCOPE OF THE FINANCIAL STRATEGY

The Financial Strategy sets out the overall shape of the Council's budget by establishing how available resources will be allocated between services, reflecting Council and community priorities, and therefore providing a framework for the preparation of annual budgets.

The Strategy is linked with and supports service priorities and the Council's other strategies and plans, including but not limited to:

- The Community Plan – Imagine Ryedale
- The Council's Corporate Plan
- The Asset Management Plan
- The IT Strategy
- The Procurement Strategy
- The Treasury Management Strategy
- The Risk Management Strategy
- The HR Strategy

The focus of the Financial Strategy is on medium and long term planning, and decision making for the future. Whilst the Strategy includes specific proposals for a particular financial year, there should not be an over concentration on just one years budget. This Strategy seeks to avoid year on year budget setting, and use of short term/one off measures to balance the budget. It is a Strategy for the future, to ensure effective resource planning and the delivery of Corporate Objectives.

In particular it:

- sets out the Council's medium term financial aims and the measures to be taken to ensure they will be achieved;
- sets out the Council's approach to delivering improved services and value for money over the next few years;
- describes the Council's arrangements for developing the financial strategy, including:
  - The identification and prioritisation of spending needs;
  - The key financial influences on the medium term financial planning and the assumptions made in developing the plan;
  - The challenges and risks associated with the plan and how the Council will deal with them.
- sets out the Council's policy on reserves and balances.
- identifies the resource issues and principles, which will shape the Council's Financial Strategy and annual budgets.

The Financial Strategy covers all revenue and capital spending plans of the Authority.

2. OBJECTIVES OF THE FINANCIAL STRATEGY

The Financial Strategy seeks to achieve the following **Objectives**: -

1. Budgets are Prudent and Sustainable in the Long Term,

2. Financial plans recognise corporate Priorities and Objectives,

3. Significant risks are identified, and mitigation factors identified,

4. The Capital Programme is planned over a 4 year period. Borrowing will only take place where there is a clear financial business case to borrow and it meets the requirements of the Prudential Code,

5. Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account,

6. Council Tax increases will be kept below the Government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the Financial Plans, recognising that these increases may be subject to change,

7. Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council,

8. Value for Money and achievement of improved efficiency and service delivery underpin the Financial Strategy,

9. The Financial Strategy supports the achievement of Excellence in Financial Management and use of resources.

3. THE CURRENT FINANCIAL POSITION

The Council's net budget for 2015/16 totals £6.823m and is allocated to services as shown:

Service	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
Central Services	4,660	3,932	728
Cultural & Related Services	1,345	47	1,298
Environmental & Regulatory Services	4,492	2,134	2,358
Highways & Transport Services	357	860	(503)
Housing Services	13,814	12,659	1,155
Planning Services	1,952	728	1,224
	26,620	20,360	6,260
Other Financial Adjustments			563
Net Revenue Budget			**6,823**
Financed By:			
Government Grant and Retained Business Rates			3,090
Collection Fund Surplus – Council Tax			104
Ryedale District Council Precept			3,629
Total			**6,823**

Overall Ryedale continues to have a strong financial discipline, which is exemplified by the size and diversity of its balances and its year-on-year budgetary performance. However, revenue spending demands are increasing in several areas.

These spending demands have a fundamental impact on the way in which the Council operates. It has to continually deliver real efficiencies to balance year-on-year financial resources with the high quality services which residents and visitors expect.

Appendix A details the budget pressures and savings/additional income proposals for the 2016/2017 budget.

The financial strategy is to some extent shaped by factors outside the Council's immediate control. However, there are many facets to an effective financial strategy, and the Council must ensure it proactively manages its resources with a view to ensuring robust financial planning that delivers Council priorities.

External Factors:

Revenue Support Grant and Retained Business Rates – In December 2015 the council received the provisional finance settlement for 2016/17, as well as indicative figures for a further 3 years through to the end of the current Parliament. There still remains significant uncertainty particularly around New

Homes Bonus, where future years figures are classed as illustrative and are subject to consultation.
The Revenue Support Grant will see substantial reductions in future years reducing to zero followed by ongoing reductions to the Business Rates Tariff. Under the Business Rate Retention Scheme RDC keeps a proportion of business rates collected, but must pay a fixed tariff from its share. The retained share is 40% and any income above target performance will increase the retained share for Ryedale (after paying a levy of 50% of any growth). The down side risk is that any reductions in collected business rates lead to a 40% reduction in RDC income. Careful monitoring of business rates collection and appeals will be required. The financial impact of any significant appeal costs will need to be managed through reserves.
In order to reduce levies payable the Council has formed a business rates pool with North Yorkshire County Council (NYCC), Hambleton District Council, Craven District Council, Richmondshire District Council and Scarborough Borough Council. This should generate additional retained business rates, however this will dependent not only on Ryedale's business rate income but that of the other partners (excluding NYCC).

Public Spending Plans and National Priorities - It is clear from the Spending Review and the subsequent Provisional Local Government finance settlement that the Authority will see several years of reducing Government financial support. Public services are however under increased pressure from their customers for improved service provision. In addition new legislation proposals may create burdens as well as opportunities for the Council. This financial strategy seeks to ensure national priorities are considered alongside local priorities.

Efficiencies
The requirement to formally record and report efficiencies has now been removed however the achievement of efficiencies will be essential to balancing the Council's budget with minimal impact to front line services with the likely levels of government Grant support.

These efficiencies have to be achieved through a greater focus on Value for Money (VFM) and through a culture of innovation. Responsibility for identifying opportunities for efficiency gains are left to individual Councils and it will be up to them to put in place the processes that they need to plan VFM projects, track delivery, measure achievement, and assure service quality. The Council's Corporate Efficiency Programme, which started with the One-11 programme for 2011/2012, Going for Gold for 2012/2013 and Round 3 for 2013/2014, has been an essential tool in delivering savings to meet the target and to finance other services within the Authority. Having completed the review of the whole organisation, the scope for significant savings without more radical approaches to service delivery are not there. Careful evaluation of more radical approaches and proper consideration of risk will be vital to deliver sustainable savings. Following the announcement of the 4 year provisional finance settlement and the consequential savings requirement that this places on the councils budget, the council is now implementing a more radical approach to transformation through the Towards 2020 programme.

Following the previous efficiency programmes which involved a review of services, the level of savings required necessitates the council to invest resources in achieving the transformation.

Additional Cost Pressures

There has been a trend in local government in recent years for additional cost pressures (for example pay increases, impact of meeting national targets, new duties/legislation) to significantly outweigh increases in Government funding. In addition to this some of the pressures carry significant growth year on year, which is not reflected in Revenue Grant Settlements.

Looking ahead, it is likely that further pressures will be placed upon local authorities resulting in the requirement for authorities to achieve efficiencies/savings. These anticipated pressures are reflected within this financial strategy.

New Homes Bonus

This funding started in 2011/2012 and provided Authorities funding based on the number of new properties brought into use with an added element for affordable housing. The calculation provides that 80% of the funding is paid direct to District Councils with the County Council receiving the remaining 20%. This funding under the local government finance scheme is now provided through a top slice of aggregate external funding.

The Government is consulting on changes to the current NHB scheme, the outcome is likely to result in a reduction in the amount of NHB, the final result of the consultation will dictate the level of reduction. 2014/15 was the first year that NHB funding was used to support the revenue budget with the proposal to drip feed the money into the budget over a number of years to protect existing services. The following table sets out the received and predicted income from New Homes Bonus, the budgeted/ forecast allocation of NHB and the remaining balance available for RDC:

Year	**NHB £000**	**Revenue Support £000**	**Capital Support £000**	**Balance £000**
2014/2015 (received)	1,127	175	0	952
2015/2016 (received)	1,387	559	288	540
2016/2017 (due)	1,676	884	188	604
2017/18 (illustrative)	1,685	871	188	626
2018/19 (illustrative)	1,059	871	188	0
2019/20 (illustrative)	1,016	828	188	0

The table highlights the indicative reduction in NHB over the life of the current Parliament. It's forecast that by 2018/19 the whole of NHB will be required to support revenue and capital. There is a risk that the illustrative figures for 2017/18 onwards could reduce further following the outcome of the Governments consultation.

External Funding

The Audit Commission sees the achievement of external funding as a key part in the demonstration of Value for Money. It is likely that the Local Economic

Partnerships (LEP) has a role in the distribution of external funding and RDC will need to ensure that it continues to have a voice and link to the LEPs.

The Council must carefully appraise the role that external grant resources can play in meeting its objectives. Decisions about bidding for external grants must be taken in the context of the priorities in the Corporate Plan.

Pensions
The Council's contribution rate for the North Yorkshire Pension Fund (NYPF) is set based upon the returns to the fund and the recovery period for the fund. These are affected by economic fluctuations and with the current economic turbulence increases in contribution rates may ensue. The contribution rates are established in consultation with the Council based on a triennial review by the actuary. Changes to the scheme benefits have been made which should reduce overall costs. A review took place in 2013/14 and reflecting good performance of the fund particularly in 2013/14 the contribution rates have increased, however by less than expected and based on the interim valuations. The next review will be in 2016/2017 and some estimation of the impact is included in the Financial Strategy.

Significant Partnerships
The following have been identified as the Council's significant partnerships:

- The Local Enterprise Partnership
- North Yorkshire Building Control Partnership
- White Rose Home Improvement Agency

Further partnerships and shared service may be sought to secure efficiency savings and/or service resilience in future years. Proper governance and security of Council finances will be an important consideration of any such proposals.

The above is meant to be indicative only as there are many other areas of increased customer expectation, Government priorities or Members' wishes for improved services. As stated these future revenue pressures are increasing amidst a heightened need for moderate Council Tax increases. In these circumstances the Council will have to consider further pro-active approaches to reallocation of resources with the attendant consequences for some existing local services as funding is switched to meeting new initiatives.

4. THE FINANCIAL STRATEGY OBJECTIVES

The following are the objectives of the Council's financial strategy:

Objective 1 - Budgets are Prudent and Sustainable in the Long Term

This seeks to ensure that budgets recognise real cost pressures.

This will be achieved by ensuring:-

- Adequate provision is made for inflation pressures, pay awards, and new legislation
- The revenue budget is not supported by significant one off savings, or any significant use of reserves
- Effective budget monitoring to ensure early identification of issues and action planning

Objective 2 – Financial Plans Recognise Corporate Priorities and Objectives

This seeks to ensure that financial plans link in with corporate planning and priorities, and that there is provision within the Financial Strategy for growth/development funding on an ongoing basis.

This will be achieved by ensuring:-
- additional investment, and savings proposals make explicit reference to corporate priorities
- Local and national targets are considered
- Long term vision and objectives are considered within the report
- Provision within financial planning figures for growth and contingency amounts based upon perceived risk

Objective 3 - Significant risks are identified, and mitigation factors identified

Risk Management is crucial in long term planning, and it is essential that the Financial Strategy clearly identifies the associated risks, and that this is supported by an embedded risk management culture within the organisation.

This will be achieved by:-
- Risk Management being embedded in corporate and service planning
- Financial risks being specifically considered on an ongoing basis, and specifically reflected within the Financial Strategy

Objective 4 - The Capital Programme is planned over a 4 year period, with no further borrowing planned.

This seeks to ensure that the capital programme is prudent and sustainable, and does not lead to unaffordable revenue implications.

This will be achieved by ensuring: -
- the development of a 4 Year capital programme
- regular review of reserves and balances
- a Corporate approach to external funding opportunities
- that only includes fully evaluated schemes within the programme

Objective 5 - Constraints on capital and revenue resources, including the uncertainties around future government funding, are recognised and taken into account;

It is important that the Financial Strategy is realistic and that there is a corporate awareness of the constraints on Council funding.

This will be achieved by ensuring:-
- specific reference within each financial strategy of constraints, and current issues
- regular reporting to members on local government finance issues
- awareness of the financial position within the organisation through effective communication

Objective 6 - Council Tax increases will be kept below the Government's expected upper level of increase, and the broad anticipated increase for future years will be set out within the Financial Plans, recognising that these increases may be subject to change.

It is important in developing the financial plan that an assumed Council Tax increase is included, ensuring that financial plans do not place over-reliance upon excessive Council Tax increases.

This will be achieved by ensuring that financial plans take account of this level of Council Tax increase, Government expectations on Council Tax increases, and in particular that target efficiency gains reflect the likely levels of Council Tax. However, it has to be recognised that additional burdens and demands can be placed upon local authorities, and that it may not always be feasible to achieve an increase in Council Tax in line with the inflation rate.

Objective 7 - Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council.

It is important to strike a balance between maintaining adequate reserves and contingencies and delivering priorities and achievement of Value For Money.

This will be achieved by ensuring:-
- an annual review of reserves, linked to corporate priorities and treasury management implications
- that capital reserves are maintained at a level to fund the planned capital programme

Objective 8 - Value for Money and achievement of improved efficiency and service delivery underpin the Financial Strategy

Value For Money should be at the heart of everything the Council does, and the pursuit of improved efficiency and performance needs to be established as an ongoing underlying principle

This is being achieved through an ongoing review of costs and service standards, challenge, and benchmarking with others.

Objective 9 - The Financial Strategy supports the achievement of Excellence in Financial Management and Use of Resources

A Financial Plan in isolation will achieve little. It needs to be supported by:-
- Effective financial governance arrangements
- Financial Management that supports performance
- Effective Monitoring arrangements
- Effective Financial Reporting

This will be achieved by
- Implementation of the action plans following external inspection
- Developing the financial culture within the Council
- Financial reporting and documentation based upon stakeholder needs
- Maintaining the quality and performance of the Financial Systems
- Training and Development – finance/non finance
- Integration of financial and non financial performance measures

5. THE REVENUE PLAN 2016-2020

The medium term revenue plan is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. The financial forecast is based on the following factors and assumptions:

Local Government Finance Settlement

The Council receives external support from Central Government through the distribution of resources within the Local Government Finance Settlement. The distribution is made in accordance to authorities' relative needs with a mechanism for protection against detrimental changes in grant allocations.

External funding has been announced for 2016/17 and the following three financial years, however the figures are subject to a number of uncertainties. Announcements indicate that further cuts to funding should be expected in the next parliament. The provisional settlement highlights that funding support will continue to be cut and the medium term predictions incorporate the estimates based on these details.

Localised Business Rates

As previously stated the Council retains a proportion of business rates out of which it must pay a fixed tariff (subject to RPI uplift). The revenue plan takes the estimated business rates income for 2016/17 based on the NNDR1 information and assumes no growth in business rates base over the plan period.

Council Tax

In accordance with Objective 6 of this Financial Strategy, the plan makes a clear assumption that future Council Tax increases will be restricted to below

Government upper limits. The Government has announced that the limit above which increases in Council Tax must be subject to referendum for 2016/17 is 2%. With a District wide referendum likely to cost in excess of £70k, the authority must look to manage increases below the threshold and future forecasts assume the referendum limit will be 2%.

A nil increase in Council Tax has been included within this strategy for 2016/17 in line with the decision of Council. Future years Council Tax rises are provisionally predicted at 1.99%.

Inflation rates and pay increases

The medium term plan makes provision for inflation and pay awards as follows:
Inflation: a composite rate of approximately 3% has been used for non-salary expenditure budgets
Pay awards: in line with the budget strategy an increase of 1.0% has been included for 2016/17, in addition a small further provision has been made in line with the current Employers offer to the Unions. Future years are based on a 1% increase.

The ongoing effect of existing policies and priorities

The ongoing effect of current policies is included in the plan. These additional costs include planned changes in the contribution rate to the Pension Fund, salary increments and revenue implications of capital projects.

Spending Pressures Contingency

The plan assumes provision to meet spending pressures as follows:-
2017/18 - £340,000
2018/19 - £150,000
2019/20 - £150,000

Provision is included for years 2017 onwards to recognise the likelihood of additional burdens/pressures upon the Council. 2017/18 includes provision for the next pension fund revaluation as well as additional replacement vehicles previously funded via grant.

Efficiency savings

The Council no longer has efficiency targets set by Government. Following review of all services over the years 2011/12, 2012/13 and 2013/14, further efficiencies will be sought, however significant sums are not expected without a radical change in the way services are delivered.

The Budget for 2016/17 includes estimated efficiency savings of £584k. These have been delivered through the Voluntary Redundancy and Budget Review Processes.

Risks, contingencies and balances

There are significant risks inherent in the Medium Term Plan for the reasons summarised above and exemplified in the section below. A number of key items in the plan cannot be estimated with accuracy and the figures in the plan assume that significant savings will be made. In this situation it is essential to maintain sufficient balances, not only to deal with unforeseen events but also to cover the potential risk of not achieving the savings required.

6. DEVELOPMENT OF THE FINANCIAL STRATEGY

As noted above, the development of the budget and medium term financial plan is driven by the Council's priorities.

The Council already has in place a comprehensive Financial Strategy, and this document represents an update to the existing Strategy. The objectives are to:

- help Members to determine priorities;
- forecast the changes in demand for services;
- identify the likely financial implications of changes in legislation;
- demonstrate the future cost of policies or proposals;
- match the demand for spending with the resources likely to be available; and
- provide a financial framework within which services and individual managers can plan their services.

The budget process

The Financial Strategy comprises a 5-year revenue plan and a 4-year capital plan.

The plans will be reviewed annually and rolled forward by a year. The process, from the start of the review of the financial plans through to the approval and allocation of budgets, spans the whole year.

One of the key features of the budget processes is the linkage between the corporate financial requirements and the operational needs and demands of the Council. This will be done through the Service Delivery Plans that identify funding requirements for the revenue and capital budget, performance outcome expectations and risk assessments.

Consultation and Communication

There is a need for this Strategy to be effectively communicated to staff and key stakeholders. In addition, it is important that in the development of the Strategy, allocations of resources, and the setting of Council Tax that there are effective consultation mechanisms in place.

Looking ahead the following broad actions are planned to ensure effective communication and consultation:-

- Budget Consultation.
- Regular communication with staff at all levels and with Unions

Budget Monitoring arrangements

It is essential that the financial plan is regularly monitored, with the progress being reported to Members. This will be done through the issuing of monthly revenue and capital monitoring reports to Corporate Management Team, and financial and performance monitoring reports to the Resources Working Party and the Policy and Resources Committee.

The monitoring process focuses on high risk budgets and involves:

- Regular dialogue between finance staff and service managers with timely and accurate budget monitoring information
- Quarterly service level performance review boards incorporating budgets and financial performance.

The process requires budget holders to explain the reasons for any significant variances and Heads of Service to identify ways in which such variances can be managed within their total resources available. This is one of the key principles underlying this strategy – that growth items are wherever possible accommodated from existing resources. To achieve this requires a culture of financial awareness within the authority and this is seen as a key priority.

7. THE CAPITAL PLANS 2016 - 2020

The capital strategy is the key vehicle for developing long term change to deliver the key priorities and corporate objectives.

a) Prioritisation methodology

New schemes are reviewed against the Council priorities plus a detailed assessment of deliverability prior to consideration by Council. This methodology will be applied to all proposals, regardless of the source of funding, prior to any decision being made to apply for external capital support such as grant funding, so that the Council can ensure that they form part of an overall capital investment strategy.

b) Engagement with partners of the community

The Council is committed to seeking out innovative partnership and funding opportunities in order to deliver the capital strategy and achieve best value.

The Council has worked closely with funding partners (recently with the HCA). Future projects will continue to be developed through partnership working more likely with the Local Enterprise Partnership (LEP). The Council also recognises the importance of increased community engagement and participation as fundamental to the quality of public services and the health of community life. The Council will therefore seek to develop major projects with the full involvement of local communities and ensure appropriate consultation prior to scheme approval.

c) Affordability of funding

Financing the Capital Programme for the Future

Resources to fund capital spending are provided from central government grants, with other external grants and contributions sought. Council funding in the form of capital receipts, use of reserves, borrowing and from revenue sources make up the balance of resources. However, grants provided by central government and resources from other external agencies are often specific to an individual scheme and cannot be used for any other purpose by the Council. The Council has limited scope to generate significant capital receipts other than through the sale of major underutilised assets.

(d) Integration of Capital and Revenue Decision-Making

The Prudential Code

Under the Prudential Regime, which has operated since April 2004, the Council has the responsibility to demonstrate that its capital investment programme is affordable, prudent and sustainable. The Prudential Code requires that this is done by calculating specific indicators for capital expenditure and financing and by setting borrowing limits. The indicators and borrowing limits for the current and next two years are set out at Appendix B.

Revenue Implications

The revenue implications of funding the capital programme are built into the medium term financial forecasts.

(e) Framework for Managing and Monitoring the Capital Programme

The Finance Manager (s151) has overall responsibility for the preparation and monitoring of the Council's capital programme and for reporting the outcome to Members. The process involves:

- Reviewing the capital programme annually.
- Reviewing the current and estimated future availability of external earmarked funding and other opportunities for obtaining or bidding for additional capital resources.
- Prioritising and appraising any new proposals against agreed corporate criteria.
- Preparing the Council's capital programme and strategy.

- Monitoring progress in achieving the capital programme objectives.
- Ensuring that the outcomes of investment are reported to members.
- Ensuring there are effective arrangements for project planning and project evaluation.
- Issuing corporate guidance to ensure that there is a consistent approach across all service areas.
- Reviewing and monitoring the Council's capital resources and asset disposal programme.

Full details of the programme together with funding streams are attached at Appendix D. The programme is split into five sections:

- Asset Management
- Priority Aims
- Major Schemes
- Externally Funded Schemes
- Other

Schemes relating to Asset Management comprise all those that will result in the Council's assets being improved. These can include works to land and buildings or IT upgrades of either hardware or software.

Schemes under Priority Aims are those where the Council has taken a deliberate decision that these will help satisfy its corporate objectives/key priorities.

8. BALANCES AND RESERVES

The Local Government Act 2003 places a specific duty on the Chief Finance Officer, i.e. the Finance Manager (s151), to make a report to the authority when it is considering its budget and the level of the Council Tax. This report must deal with the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. The Council must have regard to this report in making their decisions.

The Council also has a fiduciary duty to local taxpayers and the Finance Manager (s151) must be satisfied that the decisions taken on the level of balances and reserves represent the proper stewardship of funds.

In assessing the adequacy of the contingencies, balances and reserves, the Finance Manager (s151) takes account of the key financial assumptions underpinning the budget, together with an assessment of the Council's financial management arrangements. This assessment will include a review of past performance and external influences on the financial plan, and full consideration of the risks and uncertainties associated with the plan, their likelihood and potential impact.

The Council's policy is to maintain its contingencies, balances and reserves at levels that are prudent but not excessive. With the outlook for 2016/17 and beyond being very tough, and the scale and risk of achieving cost reduction being high, any reserves identified as being surplus should be prioritised to invest to save schemes and, if required, to smooth the curve of cost reduction in the light of timescales needed to drive costs out.

Appendix C details the position on the Councils Reserves.

9. IMPACT/RISK ASSESSMENT

This section recognises the challenges and risks that have implications for the Council's financial position in the medium term. This assessment of risk is an essential element of the budget process; it is used to inform decisions about the appropriate levels of contingencies and reserves that may be required and to indicate priorities for financial monitoring.

Managing Risk is an important part of the Financial Strategy. In addition to the Corporate Risk Register each service maintains its own risk register. The Corporate Risk Register will be reported to the Overview and Scrutiny Committee during the forthcoming year.

The key risks identified for 2016/17 and in the medium term are listed below, together with comments on how they will be managed:

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Fluctuations in inflation, Government grants, business rate receipts and changes in Government legislation	Council unable to set a balanced budget without significant cuts to services and service quality, adverse external inspection, excessive call on Council reserves	Very Likely	Major	Keep under review through the financial strategy. Consider fully any changes in legislation. Ensure adequate reserves are maintained to mitigate the risk. Ensure authorities interests are represented through the LGA/other groups. Memberships of business rate pool to retain increased business rates. Prioritise work on receipt of NHB. Ensure Longer Term plans for significant variations are in place.	Likely	Medium
Budgets are overspent	Unplanned use of reserves which may impact on future year Council Tax, adverse external inspection	Not Likely	Major	Robust budget setting, challenging budget provision. Regular monitoring with corrective actions. Develop a culture of financial awareness. Effective project planning and management. Ensure sufficient contingency sums. Review of any material overspends.	Not Likely	Minor
Savings are not achieved	If compensating savings not identified unplanned use of reserves, potential for cuts to services or service levels	Likely	Major	Regular budget monitoring to identify issues at an early stage. Detailed scrutiny and review of all savings proposals prior to approval.	Not Likely	Minor

Changes in demand/usage levels affecting income from fees and charges	Unplanned use of reserves with potential to impact on future Council Tax levels or requiring cuts to services or service levels	Very Likely	Major	Ensure regular monitoring Review trends Take appropriate action Ensure base income budgets are realistic.	Likely	Medium
Business Rate Pool does not generate savings through significant appeals success across the pool area.	NNDR deficit to be carried forward to future years, possibly leading to service reductions elsewhere being required/use of NHB.	Likely	Medium	Significant risk management work undertaken before pool formed reviewing pool membership and rates risk. Prudent assumptions on business rates income taken into revenue forecasts.	Not Likely	Medium
Budget does not reflect corporate priorities	Council fails to achieve Corporate plan with consequent impact on Community Plan. Adverse external inspection.	Not Likely	Major	Ensure corporate involvement in the process. Early consideration of budget pressures and legislation changes. Regular reporting to members. Up to date Service Delivery plans in place linked to corporate plan.	Not Likely	Minor
The capital programme is not affordable	Council may need to remove existing planned schemes from the programme or use reserves earmarked for other purposes. Adverse external inspection.	Likely	Major	Schemes are monitored and reported on a regular basis. Financing profile based on realistic assumptions. Ensure only fully evaluated schemes are included within the programme with sufficient contingency sums.	Not Likely	Medium
Poor budget planning with decisions being made without proper	Council fails to meet community needs, adverse impact on Corporate and	Likely	Major	Develop a long-term financial strategy. Set out a clear budget timetable. Regular updates to	Not Likely	Minor

consideration/consultation	Community Plan. Adverse external inspection			Members. Effective ongoing consultation processes.		
Council Tax Support scheme –above expected demand or collection rates not achieved	Collection fund into deficit which may require savings/cuts in future years. Impact on other major preceptors	Likely	Major	Proper assessment of likely take up based on historic trends, comparison with other authorities, in year monitoring of spend and collection. Regular reporting to members and s(151). Annual approval of the scheme.	Not Likely	Major
Decision on Pension fund contribution rates create future significant cost pressure	Additional savings/cuts to services required in future years	Likely	Major	Market interest rates and investment returns are expected to improve. Monitor interim valuations and make provision in financial forecasts.	Likely	Medium

10. PAY POLICY 2016/17

The Localism Act 2011 requires that the authority produce a policy statement that covers a number of matters concerning the pay of the authority’s staff, principally Chief Officers. The Pay Policy for 2016/17 is incorporated within this Financial Strategy at Appendix E.

11. CONCLUSION

This Financial Strategy sets out a range of proposals regarding the future management of resources and delivery of priorities.

The Strategy is underpinned by nine key Objectives, which are set out within section 2.

The process of developing the Financial Strategy is ongoing. Although there is a considerable amount of work to be done, and further improvements to be made, the Council has put in place the framework for ensuring a strong financial base that delivers priorities. This strong financial base has been previously commented upon within External Audit reports, with the Council receiving high scores for its financial management and reporting.

As far as possible, the plan anticipates future needs and recognises the financial uncertainties, risks and challenges faced by the Council. The Council has in place rigorous financial monitoring and aims to ensure it holds balances and reserves that are considered adequate without being excessive.

Consequently, Ryedale now has in place a sound Financial Strategy and a robust financial plan that is designed to support the delivery of the targets in the Corporate Plan and meet the Council’s Objectives.

APPENDIX A

2016/17 Budget Pressures

		£'000
Additional Costs		
- Insurance Premiums	Increased costs	17
- Dry Recycling	Reduced Income from Dry Recycling contract	65
- Pension Contributions	Annual increase	11
- Contributions to outside organisations	LEP and Ecological data centre	26
- Court costs	Reduction in income	21
- Increase in Employers NI Contributions	Statutory increase	109
- Other Growth items		48
Specific Grants		
- 15/16 CT Freeze Grant	Base lined into 2016/17 Revenue Support Grant	39
- IER Grant	Fall out of grant	11
- LCTS New Burden Grant	Cut to grant	10
- 15/16 NHB adjustment grant	Fall out of grant in 2015/16	5
- Benefits Admin Subsidy	Cut to grant	48
Total		**410**

2016/17 Efficiencies/Savings/Additional Income Proposals

Proposal	Savings £'000	Risk L/M/H
- Budget Review Efficiencies	67	L
- Additional Income	20	L
- Reduction in Grant Expenditure	22	L
- District Election	40	L
- Net Salary Savings	435	L
Total of Savings	**584**	

APPENDIX B

Prudential Indicators

Capital Expenditure

The actual capital expenditure that was incurred in 2014/15 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Capital Programme	1.331	2.206	1.295	0.749	0.695

Ratio of Financing Costs to Net Revenue Stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2014/15 are:

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non HRA	1.47%	3.05%	3.85%	3.04%	2.51%

Capital Financing Requirement

Estimates of the Capital Financing Requirement for the Authority for the current and future years and the actual Capital Financing Requirement at 31 March 2015 are:

	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Total CFR	1.526	2.336	2.747	2.523	2.292

The Capital Financing Requirement (CFR) measures the authority's underlying need to borrow for a capital purpose.

CIPFA's' Prudential Code for Capital Finance in Local Authorities' includes the following as a key indicator of prudence:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.”

The Finance Manager (s151) reports that the authority had no difficulty meeting this requirement in 2014/15, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

<u>Authorised Limit for External Debt</u>

In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt gross of investments for the next three financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. These limits separately identify borrowing from other long-term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to the Finance Manager (s151), within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its next meeting following the change.

	2015-16 £’000	2016-17 £’000	2017-18 £’000	2018-19 £’000
Borrowing	10,000	10,000	10,000	10,000
Other Long Term Liabilities	1,000	1,000	1,000	1,000
Authorised Limit	11,000	11,000	11,000	11,000

The Finance Manager (s151) reports that these authorised limits are consistent with the Authority’s current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. The Finance Manager (s151) confirms that they are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

<u>Operational Boundary for external debt</u>

The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the Finance Manager’s (s151) estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by the Finance Manager (s151). Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also asked to delegate authority to the Finance Manager (s151); within the total operational boundary for any individual year; to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Borrowing	5,000	5,000	5,000	5,000
Other Long Term Liabilities	700	800	600	400
Operational Boundary	5,700	5,800	5,600	5,400

The Council's actual external debt at 31 March 2015 was £1.75m. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2016/17 (see above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

Estimate of Incremental Impact of Capital Investment

The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been taken by the Council are:

	2016/17	2017/18	2018/19
For the Band D Council Tax	£0.59	£0.94	£1.35

These forward estimates are not fixed and do not commit the Council.

Consideration of options for the capital programme

In considering its programme for capital investment, the Council is required within the Prudential Code to have regard to:

- affordability, e.g. implications for Council Tax
- prudence and sustainability, e.g. implications for external borrowing
- value for money, e.g. option appraisal
- stewardship of assets, e.g. asset management planning
- service objectives, e.g. strategic planning for the authority
- practicality, e.g. achievability of the forward plan.

A key measure of affordability is the incremental impact on the Council Tax, and the Council could consider different options for its capital investment programme in relation to their differential impact on the Council Tax.

APPENDIX C

Key Reserves and Balances

	General Reserve £'000	Capital Fund £'000	Capital Receipts £'000	Capital Grants & Conts £'000	Total £'000
Balance as at 1 April 2015	**547**	**1,413**	**187**	0	**2,147**
Add					
Estimated Income During Year:					
Contribution from General Fund	-	680	-	-	680
Interest on Investment of Balances	-	65	-	-	65
Capital Receipts	-	-	443	-	443
Capital Grants & Contributions	-	-	-	245	245
	547	2,158	630	245	3,580
Deduct					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-823	-443	-245	-1511
Estimated Balance 31 March 2016	**547**	**1,335**	**187**	**-**	**2,069**
Add					
Estimated Income During Year:					
Contribution from General Fund	-	263	-	-	263
Interest on Investment of Balances	-	60	-	-	60
Capital Receipts	-	-	30	-	30
Capital Grants & Contributions	-	-	-	200	200
	547	1,658	217	200	2,622
Deduct					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-745	-30	-200	-975
Estimated Balance 31 March 2017	**547**	**913**	**187**	**-**	**1,647**
Add					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	126	-	-	126
Capital Receipts	-	-	30	-	30
Capital Grants & Contributions	-	-	-	200	200
	547	1,114	217	200	2,078
Deduct					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-519	-30	-200	-749
Estimated Balance 31 March 2018	**547**	**595**	**187**	**-**	**1,329**
Add					
Estimated Income During Year:					
Contribution from General Fund	-	75	-	-	75
Interest on Investment of Balances	-	164	-	-	164
Capital Receipts	-	-	30	-	30
Capital Grants & Contributions	-	-	-	200	200
	547	834	217	200	1,798
Deduct					
Estimated Expenditure During Year:					
Transfer to General Fund	-	-	-	-	-
Capital Expenditure	-	-465	-30	-200	-695
Estimated Balance 31 March 2019	**547**	**369**	**187**	**-**	**1,103**

This page is intentionally left blank

APPENDIX D

RYEDALE DISTRICT COUNCIL - PROPOSED CAPITAL PROGRAMME 2015/16 TO 2019/20

Category / Scheme	2015/16 Rev Est £'000	2015/16 Forecast £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	Total Cost £'000	External Funding £'000	Net RDC Cost £'000	Net Culmulative £'000	Comments	External Funding Assumptions £'000	External Funding Assumptions Comments	Revenue Implications 2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Comments
ASSET MANAGEMENT																			
Car Parks Major Repairs	11	11	0	0	0	0	11	0	11	11	In accordance with Asset Mgt Plan, Hlth & Safety risk	0		0	0	0	0	0	
Vehicle Replacement Programme	79	79	50	50	20	20	219	0	219	230	Replacement for recycling, street cleansing and grass cutting services	0		0	0	0	0	0	
Public Conveniences Refurbishment	8	8	0	0	0	0	8	0	8	238	Refurbishment of sites	0		0	0	0	0	0	
Wall Repairs Land Castlegate Malton	18	18	0	0	0	0	18	0	18	256	Repairs to boundary walls	0		0	0	0	0	0	
Ryedale Pool Major Repairs	33	33	0	0	0	0	33	0	33	289	Necessary works over the life of this capital programme	0		0	0	0	0	0	
Trade Waste Equipment	15	15	0	0	0	0	15	0	15	304	Replacement of trade waste bulk bins	0		0	0	0	0	0	
Property Condition Survey	243	243	125	125	125	110	728	0	728	1,032	Programme of minor capital works to property portfolio	0		0	0	0	0	0	
IT Infrastucture Strategy	234	234	57	24	0	0	315	0	315	1,347	Essential upgrade of IT Infrastructure	0		0	0	0	0	0	
Replacement of Garage Inspection pit	50	50	0	0	0	0	50	0	50	1,397	Essential upgrade to accomoodate new style of vehicle	0							
	691	**691**	**232**	**199**	**145**	**130**	**1,397**	**0**	**1,397**			**0**		**0**	**0**	**0**	**0**	**0**	
PRIORITY AIMS - HOUSING																			
Aff Hsg Init - Exception Sites Land Purchase	100	100	0	0	0	0	100	0	100	1,497	Contribution to RSL land acquisitions	0		0	0	0	0	0	
Aff Hsg Init - Property Improvement Loans	145	145	95	95	95	75	505	0	505	2,002	Recoverable Loans to ensure properties are to the decent home standard	0		0	0	0	0	0	
Aff Hsg Init - Landlord Improvement Loans/Grants	130	130	80	80	80	60	430	0	430	2,432	Recoverable Loans or Grants to Landlords	0		0	0	0	0	0	
Private Sector Energy Efficiency Grants	71	71	50	50	50	40	261	0	261	2,693	Provide insulation improvements	0		0	0	0	0	0	
Private Sector Renewal - Disabled Facilities Grants	437	437	325	325	325	290	1,702	1,045	657	3,350	Improve access to and within properties for people	1,045	DCLG	0	0	0	0	0	
Mortgage Rescue Scheme	21	21	0	0	0	0	21	0	21	3,371	Scheme in partnership with Registered Social Landlord	0		0	0	0	0	0	
	904	**904**	**550**	**550**	**550**	**465**	**3,019**	**1,045**	**1,974**			**1,045**		**0**	**0**	**0**	**0**	**0**	
PRIORITY AIMS - JOBS																			
Expansion of Derwent Training	30	30	0	0	0	0	30	0	30	3,401	Provision for contribution to external scheme	0		0	0	0	0	0	
	30	**30**	**0**	**0**	**0**	**0**	**30**	**0**	**30**			**0**		**0**	**0**	**0**	**0**	**0**	
MAJOR SCHEMES																			
A64 Brambling Fields Junction Upgrade	82	199	0	0	0	0	199	317	-118	3,283	Contribute to upgrade for improvement to traffic managem't in Malton	317	Developer Contributions	0	0	0	0	0	
	82	**199**	**0**	**0**	**0**	**0**	**199**	**317**	**-118**			**317**		**0**	**0**	**0**	**0**	**0**	
OTHER SCHEMES																			
Helmsley CPO	0	0	513	0	0	0	513	0	513	3,796									
Pickering Flood Defence	200	200	0	0	0	0	200	0	200	3,996	Major grant contribution to Environment Agency Scheme	0		0	0	0	0	0	
Assembly and Milton Rooms - Preservation Works	182	182	0	0	0	0	182	0	182	4,178	Work required under terms of lease to prevent further deterioration of building	0		0	0	0	0	0	
	382	**382**	**513**	**0**	**0**	**0**	**895**	**0**	**895**			**0**		**0**	**0**	**0**	**0**	**0**	
TOTAL OF PROPOSED CAPITAL PROGRAMME	**2,089**	**2,206**	**1,295**	**749**	**695**	**595**	**5,540**	**1,362**	**4,178**		**TOTAL**	**1,362**	**TOTAL**	**0**	**0**	**0**	**0**	**0**	

CAPITAL RESOURCES AVAILABLE FOR NEW SCHEMES	**£238k**

CAPITAL PROGRAMME 2015/16 TO 2019/20 - SUMMARY OF FUNDING

Source of Funding	2015/16 Rev Est Funding £'000	2015/16 Forecast Funding £'000	2016/17 Estimate Funding £'000	2017/18 Estimate Funding £'000	2018/19 Estimate Funding £'000	2019/20 Estimate Funding £'000	Total Estimate Funding £'000	Scheme
External Grants and Contributions								
Department Communities & Local Government (DCLG)	245	245	200	200	200	200	1,045	Private Sector Renewal - Disabled Facilities Grant
Developers Contributions	200	317	0	0	0	0	317	A64 Brambling Fields
Total External Grants and Contributions	**445**	**562**	**200**	**200**	**200**	**200**	**1,362**	
Ryedale DC Funding of Schemes	**1,644**	**1,644**	**1,095**	**549**	**495**	**395**	**4,178**	
TOTAL FUNDING OF CAPITAL PROGRAMME	**2,089**	**2,206**	**1,295**	**749**	**695**	**595**	**5,540**	

CAPITAL INVESTMENT PLAN - RESERVE LIST

	Estimated Year	Max Cost £'000	Net Cost RDC £'000	
Targetted A64 Improvements	2018-2021	50,000	3,300	
Livestock Market Relocation	2016/17	2,500	500	Proposed Loan Arrangement
Malton & Norton Transport Improvements Package	2016-2019	1,900	650	Possible funding from Community Infrastructure Levy (£500k)
Milton Rooms Redevelopment	2017	4,500	1,000	
Redevelopment of Malton Public Transport Interchange	2017-2019	1,000	200	Possible funding from Community Infrastructure Levy (£200k)
High speed broadband to Ryedale Business Parks	2016/17	200	n/k	
Replacement of Derwent Pool	2018+	4,000	2,000	
Flood prevention/alleviation Schemes	2016-17	2,600		

This page is intentionally left blank

APPENDIX E

RYEDALE DISTRICT COUNCIL

PAY POLICY STATEMENT 2016 - 2017

CONTENTS

1	INTRODUCTION	2
2	DEFINITION OF OFFICERS COVERED BY THE POLICY STATEMENT	2
3	POLICY ON REMUNERATING CHIEF OFFICERS	2
4	POLICY ON REMUNERATING THE LOWEST PAID IN THE WORKFORCE	3
5	POLICY ON THE RELATIONSHIP BETWEEN CHIEF OFFICER REMUNERATION AND THAT OF OTHER STAFF	3
6	POLICY ON OTHER ASPECTS OF CHIEF OFFICER REMUNERATION	3
7	APPROVAL OF SALARY PACKAGES IN EXCESS OF £100K	3
8	FLEXIBILITY TO ADDRESS RECRUITMENT ISSUES FOR VACANT POSTS	3
9	AMENDMENTS TO THE POLICY	4
10	POLICY FOR FUTURE YEARS	4
11	ANNEX A	5
12	ANNEX B	5
13	ANNEX C	7

1 INTRODUCTION

In accordance with Sections 38 – 43 of the Localism Act 2011 the authority is required to produce a policy statement that covers a number of matters concerning the pay of the authority's staff, principally Chief Officers. This policy statement sets out the arrangements and meets the requirements of the Localism Act. It also complies with the guidance issued by the Secretary of State for Communities and Local Government to which the authority is required to have regard under Section 40 of the Act. This policy also correlates with the data on pay and reward for staff which the authority publishes under the Code of Recommended Practice for Local Authorities on Data Transparency and the data which is published under The Accounts and Audit (England) Regulations (2011). It should be noted that the requirements to publish data under the Secretary of State guidance, the Code of Practice and the Regulations do differ, the data requirements of the Code of Practice and the Accounts and Audit Regulations are summarised at Annex A to this policy statement.

2 DEFINITION OF OFFICERS COVERED BY THE POLICY STATEMENT

This policy statement covers the following posts:

1. Head of the Paid Service, which in this authority is the post of Chief Executive

2. Chief Financial Officer (s151)

3. Monitoring Officer

4. Non-statutory Chief Officers, (those who report directly to the Head of the Paid Service) which in this authority are the posts of:
   - Corporate Director
   - Head of Economy
   - Head of Corporate Services

5. Deputy Chief Officers (those who report directly to a statutory Chief Officer) which in this authority are the posts of:
   - Head of Planning and Housing
   - Head of Environment, Streetscene and Facilities

3 POLICY ON REMUNERATING CHIEF OFFICERS

The authority's policy on remunerating Chief Officers is set out on the schedule that is attached to this policy statement at Annex B. The Chief Executive's and Corporate Director's remuneration packages are set by Elected Members. It is the policy of this authority to establish a remuneration package for each Chief Officer post that is sufficient to attract and retain staff of the appropriate skill level, knowledge, experience, abilities and qualities that is consistent with the authority's requirements of the post in question at the relevant time. The Chief Executive and the Corporate Director are the only employees appointed by Elected Members.

4 POLICY ON REMUNERATING THE LOWEST PAID IN THE WORKFORCE

The Council applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of Council decisions. These are then incorporated into contracts of employment. The lowest pay point in this authority is Scale 1 point 6 which equates to an annual salary of £13,614 (i.e. £7.0565 per hour). This Council adopted the payment of a 'Living Wage' of £7.85 per hour with effect from 1 November 2015, which is paid as a supplement to the nationally agreed rate for all employees on spinal column points 6 to 10 inclusive.

5 POLICY ON THE RELATIONSHIP BETWEEN CHIEF OFFICER REMUNERATION AND THAT OF OTHER STAFF

The highest paid salary in this authority is £104,460 (2014/2015 £104,460) which is paid to the Chief Executive.

The average median salary in this authority is £19,742. The ratio between the two salaries, the 'pay multiple' is 5.29:1.

This authority does not have a policy on maintaining or reaching a specific 'pay multiple', however the authority is conscious of the need to ensure that the salary of the highest paid employee is not excessive and is consistent with the needs of the authority as expressed in this policy statement. The authority's approach to the payment of other staff is to pay that which the authority needs to pay to recruit and retain staff with the skills, knowledge, experience, abilities and qualities needed for the post in question at the relevant time, and to ensure that the authority meets any contractual requirements for staff including the application of any local or national collective agreements, or authority decisions regarding pay.

6 POLICY ON OTHER ASPECTS OF CHIEF OFFICER REMUNERATION

Other aspects of Chief Officer remuneration are covered by this policy statement. These other aspects are defined as these other aspects are defined as recruitment, pay increases, additions to pay, performance related pay, earn back, termination payments, transparency and re-employment when in receipt of an LGPS pension or a redundancy/severance payment. These matters are addressed in the schedule that is attached to this policy statement at Annex C.

7 APPROVAL OF SALARY PACKAGES IN EXCESS OF £100K

The authority will ensure that, prior to an offer being made, any salary package for any post that is in excess of £100k will be considered by Full Council. The salary package will be defined as base salary, fees, routinely payable allowances and benefits in kind that are due under the contract.

8 FLEXIBILITY TO ADDRESS RECRUITMENT ISSUES FOR VACANT POSTS

In the vast majority of circumstances the provisions of this policy will enable the authority to ensure that it can recruit effectively to any vacant post. There may be exceptional circumstances when there are recruitment difficulties for a particular post and where there is evidence that an element or elements of the remuneration package are not sufficient to secure an effective appointment. This policy statement recognises that this situation may arise in exceptional circumstances and therefore a departure from this policy can be implemented except for the appointment of the Chief Executive or Corporate Director.

9 AMENDMENTS TO THE POLICY

It is anticipated that this policy will not need to be amended during the period it covers (1 April 2016 to 31 March 2017), however if circumstances dictate that a change of policy is considered to be appropriate during the year then a revised draft policy will be presented to Full Council for consideration.

10 POLICY FOR FUTURE YEARS

This policy statement will be reviewed each year and will be presented to Full Council each year for consideration in order to ensure that a policy is in place for the authority prior to the start of each financial year.

11 ANNEX A

The Secretary of State for CLG Code of Recommended Practice for Local Authorities on Data Transparency indicates that local authorities should publish the following data concerning staff:

- Salaries, names (with an option for individuals to refuse to consent to this), job descriptions, responsibilities, budgets (including overall salary cost of staff reporting), and numbers of staff for all staff in receipt of a salary of more than £58,200
- An organisational chart of the staff structure of the authority including salary bands and details of currently vacant posts
- The ‘pay multiple’ – the ratio between the highest paid salary and the median average salary of the whole authority workforce

The Accounts and Audit (England) Regulations (2011) require that the following data is included in the authority’s accounts:

- Numbers of employees with a salary above £50k per annum (pro-rata for part time staff) in multiples of £5k
- Job title, remuneration and employer pension contributions for senior officers. Senior officers are defined as Head of Paid Service, Statutory Chief Officers and Non-Statutory Chief Officers by reference to Section 2 of the 1989 Local Government & Housing Act
- Names of employees paid over £150k per annum

For the above remuneration is to include:

- Salary, fees or allowances for the current and previous year
- Bonuses paid or receivable for the current and previous year
- Expenses paid in the previous year
- Compensation for loss of employment paid to or receivable, or payments made in connection with loss of employment
- Total estimated value of non-cash benefits that are emoluments of the person

For the above pension contributions to include:

- The amount driven by the authority’s set employer contribution rate
- Employer costs incurred relating to any increased membership or award of additional pension.

12 ANNEX B

Aspect of Chief Officer Remuneration	**RDC Policy**
Recruitment	The post will be advertised and appointed to at the appropriate approved salary for the post in question unless there is good evidence that a successful appointment of a person with the required skills, knowledge, experience, abilities and qualities cannot be made without varying the remuneration package. In such circumstances a variation to the remuneration package is appropriate under the Council's policy and any variation will be approved through the appropriate decision making process.
Pay Increases	The Council will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations. The Council will also apply any pay increases that are as a result of authority decisions to significantly increase the duties and responsibilities of the post in question beyond the normal flexing of duties and responsibilities that are expected in senior posts subject to approval by the appropriate decision making process.
Additions To Pay	The Council would not make additional payments beyond those specified in the contract of employment.
Performance Related Pay	The Council does not operate a performance related pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed in accordance with Council Policy.
Earn-Back (Withholding an element of base pay related to performance)	The authority does not operate an earn-back pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.
Termination Payments	The Council applies its normal redundancy payment arrangements to senior officers and does not have separate provisions for senior officers. The Council also applies the appropriate Pensions regulations when they apply. The Council has agreed policies in place on how it will apply any discretionary powers it has under Pensions regulations. Any costs that are incurred regarding senior officers are published in the Council's accounts as required under the Accounts and Audit (England) Regulations 2011.
Transparency	The Council meets its requirements under the Localism Act, the Code of Practice on Data Transparency and the Accounts and Audit Regulations in order to ensure that it is open and transparent regarding senior officer remuneration.
Re-employment of staff in receipt of an LGPS Pension or a redundancy/severance payment	The Council is under a statutory duty to appoint on merit and has to ensure that it complies with all appropriate employment and equalities legislation. The Council will always seek to appoint the best available candidate to a post who has the skills, knowledge, experience, abilities and qualities needed for the post.

13 ANNEX C

Post	Base Salary	Expenses	Bonuses	PRP	Earn-Back	Honoraria	Ex-Gratia Payments	Election Fees	Joint Authority Duties	Severance Arrangements
Chief Executive	£104,460	Paid through normal authority procedures	None	None	None	None	None	Election duty fees are paid in accordance with normal authority and national procedures	None	The authority's normal policies regarding redundancy and early retirement apply to the post holder. No payments were made in the last year and none are anticipated for 2016/17.
Corporate Director	£71,400	Paid through normal authority procedures	None	None	None	None	None	Election duty fees are paid in accordance with normal authority procedures	None	The authority's normal policies regarding redundancy and early retirement apply to the post holder. No payments were made in the last year and none are anticipated for 2016/17

Post	Base Salary	Expenses	Bonuses	PRP	Earn-Back	Honoraria	Ex-Gratia Payments	Election Fees	Joint Authority Duties	Severance Arrangements
Head of Planning and Housing	£56,316	Paid through normal authority procedures	None	None	None	Paid through normal authority procedures, none planned.	Paid through normal authority procedures, none planned.	Election duty fees paid in accordance with normal authority and national procedures	None	The authority's normal policies regarding redundancy and early retirement apply to the post holder. No payments are anticipated for 2016/2017
Head of Corporate Services	£56,316									
Head of Economy & LEP	£56,316									
Head of Environment, Streetscene and Facilities.	£50,263									
Council Solicitor/ Monitoring Officer	£56,316									
Finance Manager (s151)	£43,853					£3,000				

ANNEX B

Medium Term Revenue Forecast 2016/17 - 2020/21

	2016/17 Projection £'000	2017/18 Projection £'000	2018/19 Projection £'000	2019/20 Projection £'000	2020/21 Projection £'000	
Base Budget and Inflation						
Base Budget	6,823	6,308	6,059	6,012	5,944	
Pay Increase & General Inflation	126	150	150	150	150	
	6,949	6,458	6,209	6,162	6,094	
Add Future Cost Increases						
Budget Pressures	409	340	150	150	150	
Capital Programme Borrowing	0	0	0	0	0	
Deduct Future Savings:						
Efficiencies/Service Cuts/Additional Income	-584	-633	-254	-305	-251	
NHB Applied to Revenue (Additional)	-325	0	13	43	0	
Increase in Rural Service Delivery Grant	-141	-106	-106	-106	-106	
Net Revenue Budget	6,308	6,059	6,012	5,944	5,887	
Financing						
RSG	763	379	143	-120	-380	
Business Rates	1,775	1,810	1,846	1,883	1,921	
Collection Fund Surplus	69	25	25	25	25	
Council Taxpayers	3,629	3,775	3,922	4,078	4,239	
CT Base Growth	72	70	76	78	82	
Budget Requirement	6,308	6,059	6,012	5,944	5,887	
NHB Earned	1,676	1,685	1,059	1,016	1,016	
Applied to Revenue cumulative	884	884	871	828	828	
Applied to Capital	188	188	188	188	188	
To be allocated	604	613	0	0	0	1,217

This page is intentionally left blank

RYEDALE DISTRICT COUNCIL

PART B:	**RECOMMENDATION TO COUNCIL**
REPORT TO:	**POLICY AND RESOURCES COMMITTEE**
DATE:	**4 FEBRUARY 2016**
REPORT OF THE:	**CHIEF EXECUTIVE** **JANET WAGGOTT**
TITLE OF REPORT:	**RESPONSE TO THE NEW HOMES BONUS: SHARPENING THE INCENTIVE - TECHNICAL CONSULTATION**
WARDS AFFECTED:	**ALL**

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 The report sets out the response to the New Homes Bonus: Sharpening the Incentive - Technical Consultation.

2.0 RECOMMENDATION

2.1 That Council is recommended:
(i) To agree the response to the consultation attached at **Annex A and B** and delegate authority to the Finance Manager (s151) in consultation with the Chairman of Policy and Resources to make any alterations, if necessary, prior to submission by the 10 March 2017.

3.0 POLICY CONTEXT AND CONSULTATION

3.1 The consultation seeks views on options on changes to the NHB in order to reflect Authorities delivery of new housing. It also seeks views on reducing the number of years in which current and future payments are made.

3.2 This consultation sets out a variety of options for increasing the focus of the NHB ("the Bonus") on delivery of new homes and freeing up resources to be recycled within the local government settlement to support authorities with particular pressures, such as adult social care, following the outcome of the 2015 Spending Review.

3.3 The options on which views are sought are:
- withholding the Bonus from areas where an authority does not have a Local Plan in place;
- abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal;

- adjusting the Bonus to reflect estimates of deadweight;
- proposals for reductions in the number of years for which the Bonus is paid from the current 6 years to 4 years;
- considers mechanisms by which the changes could be calculated.

REPORT

4.0 REPORT DETAILS

4.1 The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Since its launch, over £3.4 billion has been allocated, recognising delivery of over 700,000 homes and bringing over 100,000 long term empty homes back into use.

4.2 The New Homes Bonus ("the Bonus") was introduced in order to provide a clear incentive to local authorities to encourage housing growth in their areas. The Government now thinks that it is appropriate to consider how the incentive element of the Bonus could be further tightened alongside possible changes to respond to the move towards full retention of business rates and the potential for further devolution of powers and responsibilities to local authorities.

4.3 Proposed changes to the distribution of the Bonus should be seen 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, which can be used for social care. Savings in the overall cost of the Bonus will be redistributed with the local government settlement, in particular to support authorities with specific pressures, such as in adult social care budget.

4.4 Although the Government is not proposing changes for 2016-17 payments, reductions in payments will be necessary in order to stay within this new funding envelope from 2017-18 onwards. This can be combined with reforms to both sharpen its incentive effect and free up resources for authorities with particular pressures, such as adult social care.

5.0 IMPLICATIONS

5.1 The following implications have been identified:

a) Financial
Changes are for the 2017/2018 Budget and have an impact on RDC's Financial Strategy and the future of the Medium Term Financial Plan

6.0 NEXT STEPS

6.1 Comments received will be collated and a final response will be published within 3 months of the closing date which is 10 March 2016.

Janet Waggott
Chief Executive

Author: Janet Waggott, Chief Executive
Telephone No: 01653 600666 ext: 201
E-Mail Address: janet.waggott@ryedale.gov.uk

Department for
Communities and
Local Government

New Homes Bonus: Sharpening the Incentive

Technical Consultation

December 2015
Department for Communities and Local Government

This document/publication is also available on our website at www.gov.uk/dclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

Department for Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: https://twitter.com/CommunitiesUK

December 2015

ISBN: 978-1-4098-4748-9

Contents

Section 1: Consultation Procedure	**4**
Section 2: Introduction	**7**
Section 3: Options for Change	**9**
Section 4: Summary of Questions	**20**
Section 5: Next Steps	**21**
Annex – Worked Example	**22**

Section 1: Consultation Procedure

Scope of the consultation

Topic of this consultation:	**This consultation seeks views on options on changes to the New Homes Bonus in order to better reflect authorities' delivery of new housing. It also seeks views on reducing the number of years in which current and future payments are made.**
Scope of this consultation:	This consultation sets out a variety of options for increasing the focus of the New Homes Bonus ("the Bonus") on delivery of new homes and freeing up resources to to be recycled within the local government settlement to support authorities with particular pressures, such as adult social care, following the outcome of the 2015 Spending Review. The options on which views are sought are: withholding the Bonus from areas where an authority does not have a Local Plan in place; abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal; and adjusting the Bonus to reflect estimates of deadweight. The consultation also sets out proposals for reductions in the number of years for which the Bonus is paid from the current 6 years to 4 years. The consultation considers mechanisms by which the changes could be calculated and provides exemplifications to show how the changes would work in practice alongside indications of the total cost. The changes are only proposed for 2017-18 onwards so exemplifications of impacts on individual local authorities have not been provided.
Geographical scope:	This consultation is applicable to England only.
Impact Assessment:	Impact Assessments are required where policies have a potential regulatory impact. This consultation focuses on an existing spending policy - the New Homes Bonus - so is not accompanied by an Impact Assessment.

Basic Information

To:	Local Authorities Housing Bodies
Body/bodies responsible for the consultation:	Housing Markets Division Department for Communities and Local Government
Duration:	12 weeks

Enquiries:	newhomesbonus@communities.gsi.gov.uk Noemi Chlopecka Housing Markets Division Department for Communities and Local Government Fry Building 2 Marsham Street London SW1P 4DF Tel: 0303 444 4561
How to respond:	If possible, please respond to the questions in this consultation via the online form https://www.surveymonkey.co.uk/r/X8RHSH5 Responses may also be sent to: newhomesbonus@communities.gsi.gov.uk The deadline for responses is 10 March 2016.
After the consultation:	Comments received on the proposals set out in the consultation will be collated and a formal response document published within three months of the closing date of the consultation.
Compliance with the Consultation Principles:	This consultation document and consultation process adhere to the Government's consultation principles, these can be found at: https://www.gov.uk/government/publications/consultation-principles-guidance Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004). If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

	The Department for Communities and Local Government will process your personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that your personal data will not be acknowledged unless specifically requested. Your opinions are valuable to us. Thank you for taking the time to read this document and respond. If you have any observations about how we can improve the consultation process, please contact: DCLG Consultation Co-ordinator Department for Communities and Local Government Fry Building 2 Marsham Street London SW1P 4DF Or by email to: Consultationcoordinator@communities.gsi.gov.uk

Background

Getting to this stage:	The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Since its launch, over £3.4 billion has been allocated, recognising delivery of over 700,000 homes and bringing over 100,000 long term empty homes back into use.
Previous engagement:	The Department for Communities and Local Government carried out a consultation on the New Homes Bonus in 2010. A further consultation on putting some of the Bonus into the Local Growth Fund was carried out in 2013.

Section 2: Introduction

Aim

2.1. The New Homes Bonus (“the Bonus”) was introduced in order to provide a clear incentive to local authorities to encourage housing growth in their areas. The Government now thinks that it is appropriate to consider how the incentive element of the Bonus could be further tightened alongside possible changes to respond to the move towards full retention of business rates and the potential for further devolution of powers and responsibilities to local authorities.

Background

2.2. The New Homes Bonus reflects the crucial role local authorities play in supporting housing and wider economic growth by rewarding additional homes built in their areas. The Bonus rewards local authorities for each additional new build and conversion using the national average council tax in each band. Long-term empty properties brought back into use are also included and there is a premium for affordable homes. Each year’s grant is paid for 6 years. The Bonus is not ring-fenced. In two-tier areas payments are split between both county (20%) and district (80%) authorities. From 2016-17, allocations to local authorities made under the Bonus are expected to total in the region of £1.4 billion to £1.5 billion annually. Since its introduction, payments to local authorities have totalled just under £3.4 billion reflecting over 700,000 new homes and conversions and over 100,000 empty homes brought back into use. Of the total, over 200,000 were affordable homes.

2.3. Last year, the then Government carried out an evaluation of the Bonus, examining its impact to date on attitudes and behaviours of key players in relation to housing delivery and examining the impact on the finances of local authorities. The findings of the evaluation can be found at https://www.gov.uk/government/publications/evaluation-of-the-new-homes-bonus and have been taken into account in designing this consultation proposal. Key findings were that almost 50% of planning officers agreed that the Bonus was a powerful incentive to support housing growth; the Bonus is seen to be simple, transparent and flexible; and that, in 2014-15, 75% of local authorities were net gainers from the policy.

2.4. Proposed changes to the distribution of the Bonus should be seen 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, which can be used for social care. Savings in the overall cost of the Bonus will be redistributed with the local government settlement, in particular to support authorities with specific pressures, such as in adult social care budget.

2.5. Although the Government is not proposing changes for 2016-17 payments, reductions in payments will be necessary in order to stay within this new funding envelope from 2017-18 onwards. This can be combined with reforms to both sharpen its incentive effect and free up resources for authorities with particular pressures, such as adult social care.

2.6. This consultation, therefore, seeks views on the options for change to two aspects of the Bonus: reducing overall costs by moving from 6 years to 4 of payments and reform of the Bonus in order to better reflect local authorities' performance on housing growth. It also considers options for staying within the funding envelope in the event of a sudden surge in housing growth.

Section 3: Options for Change

3.1. This section outlines the options that the Government has been considering for changes to the Bonus in more detail. It sets out the principles involved and describes the approach that could be taken. In most cases, the Government's preferred approach is described together with any other options that have been considered. Where appropriate, exemplifications are included to show how the proposed changes would work. The impact of each possible change on the total funds required by the Bonus is also exemplified for illustrative purposes only using the total provisional allocations for 2016-17.

3.2. It is important to stress that the changes proposed in this section would only be implemented for payments in 2017-18 onwards. **No changes are proposed for either calculation of 2016-17 allocations or payments due to be made in 2016-17 relating to previous years.** This is to ensure that local authorities have sufficient time to reflect the proposed changes in their forward planning.

Changing the number of years for which payments are made

3.3. At present, each year's allocation under the Bonus leads to "legacy" payments over 6 years. Originally, this was to compensate for reductions in settlement allocations which reflected growth in an authority's Council Tax base. However, since 2011, the decision has been taken not to reduce allocations in this way. At the same time, the way in which each year's allocations lead to commitments over several years leads to a build up of costs over time. Table 1 below shows how payments relating to allocations up to and including those for 2016-17 would, if allowed to continue unaltered, would lead to substantial costs even with no further new allocations.

£m	Payments already made
£m	Payments to be made
£m	Estimated future payment

Payment relating to:	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233	233			
2013/14			236	236	236	236	236	236		
2014/15				249	249	249	249	249	249	
2015/16					251	251	251	251	251	251
2016/17						293	293	293	293	293
2017/18							293	293	293	293
2018/19								293	293	293
2019/20									293	293
2020/21										293
Annual total (£m)	**199**	**432**	**668**	**917**	**1,168**	**1,461**	**1,555**	**1,615**	**1,672**	**1,716**

Chart 1: existing unreformed scheme[1]

[1] 2016-17 costs reflect provisional allocations for the year 2016-17 published alongside this document.

Legacy Payments

3.4. Allowing legacy payments to continue unchanged would also reduce the impact of the proposals in this section (see paragraphs 3.10 to 3.31) to increase the incentive effect of the Bonus since legacy payments relating to earlier, less focussed, allocations would, in the first few years, significantly outweigh new allocations calculated to better reflect local authorities' performance.

3.5. **The Government is therefore consulting on whether from from 2017-18, the number of years for which legacy payments under the Bonus are to be paid will be reduced from 6 years to 4 years.** This is the Government's preferred option. But it is considering whether to move further and reduce payments to 3 or 2 years.

Transition

3.6. There are several ways in which a reduction in the number of years over which payments would be made could be introduced. In considering options, the Government will aim to strike a balance between achieving the required level of reductions within the Spending Review period and protecting the forward planning which local authorities may have done in anticipation of the payments linked to past allocations.

3.7. One option is to reduce the numbers of years for which payments are made for both existing and future allocations to 5 years in 2017-18 and 4 years in 2018-19. The impact on total annual payments, assuming no other changes, is exemplified in Table 2 below. It has the advantage of protecting existing payments for both 2016-17 and 2017-18 whilst freeing up funding from 2018-19.

£m	Payments already made
£m	Payments to be made
£m	Estimated future payment

Payment relating to:	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233				
2013/14			236	236	236	236	236			
2014/15				249	249	249	249			
2015/16					251	251	251	251		
2016/17						293	293	293	293	
2017/18							293	293	293	293
2018/19								293	293	293
2019/20									293	293
2020/21										293
Annual total (£m)	**199**	**432**	**668**	**917**	**1,168**	**1,461**	**1,322**	**1,130**	**1,173**	**1,173**

Chart 2: Reducing payment period to 4 years (5 years in 2017/18 and 4 years form 2018/19 onward)

3.8. An **alternative** to this approach could be to introduce the reduction in years earlier or without the intermediate step to 5 years. Chart 3 below shows the impact this might have on overall costs. A **further alternative** would be to reduce the numbers of years for which payments are made to 3 or 2 years.

£m	Payments already made
£m	Payments to be made
£m	Estimated future payment

Payment relating to:	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233				
2013/14			236	236	236	236				
2014/15				249	249	249	249			
2015/16					251	251	251	251		
2016/17						293	293	293	293	
2017/18							293	293	293	293
2018/19								293	293	293
2019/20									293	293
2020/21										293
Annual total (£m)	**199**	**432**	**668**	**917**	**1,168**	**1,461**	**1,086**	**1,130**	**1,173**	**1,173**

Chart 3: reducing payment period to 4 years without an interim 5 year stage

Consultation question 1
What are you views on moving from 6 years of payments under the Bonus to 4 years, with an interim period for 5 year payments?

Consultation question 2
Should the number of years of payments under the Bonus be reduced further to 3 or 2 years?

3.9. Bonus allocations are currently calculated using the council tax returns. The net increases in numbers of homes falling within each council tax band are established by comparing successive years' returns. The numbers of homes falling outside band D are then scaled to reflect their equivalence to band D. The resulting total figure is then applied to the national average band D council tax bill for the year to generate the total allocation for that year. There are some concerns that this approach, by favouring higher band homes above those falling into lower bands, could result in some skewing of allocations in favour of areas with higher house prices although this may be partially mitigated by the use of an average value for the band D council tax bill.

Consultation question 3
Should the Government continue to use this approach? If not, what alternatives would work better?

Reforms to improve the incentive

3.10. At present, the Bonus rewards all net additions to housing in an area regardless of the path leading to their construction. It is possible to argue that the Bonus is, therefore, insufficiently focused on really strongly performing authorities. In order to counteract these effects, the Government has considered three ways in which the incentive impact of the Bonus could be improved:

(a) withholding new Bonus allocations in areas where no Local Plan has been produced in accordance with the Planning and Compulsory Purchase Act 2004;

(b) reducing payments for homes built on appeal; and

(c) only making payments for delivery above a baseline representing deadweight.

3.11. An option would be for the Government to only introduce the improved incentives. The illustrative costs are shown in chart 4. This model still frees up resources, but at reduced levels.

£m	Payments already made
£m	Payments to be made
£m	Estimated future payment

Payment relating to:	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233	233			
2013/14			236	236	236	236	236	236		
2014/15				249	249	249	249	249	249	
2015/16					251	251	251	251	251	251
2016/17						293	293	293	293	293
2017/18							168	168	168	168
2018/19								168	168	168
2019/20									168	168
2020/21										168
Annual total (£m)	**199**	**432**	**668**	**917**	**1,168**	**1,461**	**1,430**	**1,365**	**1,297**	**1,217**

Chart 4: introducing all the incentives in the government's prefered model from 17/18, but making payments for 6 years.

A. Withholding the Bonus where no Local Plan has been produced

3.12. Local Plans are the primary basis for identifying what development is needed in an area and deciding where it should go. Plans give communities and businesses alike certainty about what development is appropriate and where, and set out how local housing and other development needs will be met. Plans are the mechanism through which national policies are applied to specific localities. By identifying sites in a Local Plan authorities can guide development to the most suitable locations, supported by the right infrastructure. Plans provide the starting point for dealing with planning applications as applications must be determined in accordance with the development plan, unless material considerations indicate otherwise. Where a plan is not in place an area may be more vulnerable to unwanted or speculative development.

3.13. Local authorities have had more than a decade to produce Local Plans in accordance with the Planning and Compulsory Purchase Act 2004[2] ("the 2004 Act"). Most have done so – 83% of local planning authorities have published a Local Plan and 66% of

---

[2] Local Plan means any document of the description referred to in regulation 5(1)(a)(i), (ii) or (iv) or 5(2)(a) or (b), and for purposes of section 17(7)(a) of the Act these documents are prescribed as development plan documents. See Town and Country Planning (Local Planning) (England) Regulations 2012 http://www.legislation.gov.uk/uksi/2012/767/pdfs/uksi_20120767_en.pdf. The National Planning Policy Framework sets an expectation that each local planning authority should produce a single Local Plan which sets out the strategic planning priorities for the area. In practice authorities may adopt multiple development plan documents which collectively constitute the area's Local Plan.

planning authorities have an adopted Local Plan[3]. At present, local authorities currently receive Bonus payments even where they have not yet put a Local Plan in place[4]. Given the importance of a Local Plan in identifying housing needs in an area and setting the framework for decisions on individual planning applications the Government is considering options for withholding some or all of the Bonus from local authorities that have not yet produced a Local Plan.

3.14. The **Government's preferred option** is that from 2017-18 onwards, local authorities who have not submitted a Local Plan prepared under the 2004 Act should not receive new New Homes Bonus allocations for the years for which that remains the case. Their legacy payments relating to allocations in previous years would be unaffected. An alternative would be for local authorities to receive a set percentage (50%) of the Bonus allocation where they have published a Local Plan but not yet submitted it to the Secretary of State for examination. This approach would recognise progress against the different stages in the plan-making process.

3.15. In July 2011, the Government wrote to local planning authorities and asked that they notify the Planning Inspectorate three months before the publication date of any development plan document and then continue with regular contact prior to the formal submission[5]. The Planning Inspectorate uses this information to maintain a list of how local planning authorities across England are progressing their Local Plans. The Government proposes to use this information to determine the level of abatement. Local authorities will, of course have the usual opportunity between the publication of provisional and confirmed allocations to challenge where they believe that an error has been made in the calculation of the allocation.

Consultation question 4
Do you agree that local authorities should lose their Bonus allocation in the years during which their Local Plan has not been submitted? If not, what alternative arrangement should be in place?

3.16. To be effective, Local Plans need to be kept up-to-date. Policies will age at different rates depending on local circumstances, and local planning authorities should review the relevance of the Local Plan at regular intervals to assess whether some or all of it may need updating. Most Local Plans are likely to require updating in whole or in part at least every five years. The Government has, therefore, considered an alternative approach to abatement based on a banded mechanism whereby authorities would lose a fixed percentage of the Bonus they would otherwise have received based on the date of their adopted Local Plan. However, while this would provide an incentive for authorities to keep their plans up-to-date, this option would bring more complexity to the bonus calculation.

---

3 Figures based on 336 relevant local planning authorities as at end November 2015.

4 By Local Plan we mean a development plan document that sets the strategic planning policies for the whole of an authority's administrative area, and which has been prepared, examined, and adopted under the provisions of the 2004 Act. Such documents are often referred to as a "Core Strategy", a "Local Plan" or a "Local Plan (Part 1)."

5 For further details see: https://www.gov.uk/guidance/local-plans#monitoring-local-plans.

Consultation question 5
Is there merit in a mechanism for abatement which reflects the date of the adopted plan?

3.17. The Government wants to ensure that plans are in place that set out the strategic priorities for an area, including a clear assessment of housing needs, and that identify key sites which are critical to the delivery of the housing strategy over the plan period. The Government is not, therefore, proposing to link Bonus payments to the type of plans that are commonly prepared by County Councils in two tier areas. County Councils do, however, have an important role in delivering essential infrastructure. Arguably this could have an impact on the ability of District Councils to produce their Local Plan. We would, therefore, welcome views on whether in two tier areas where a Local Plan has not been published, there should be a corresponding percentage reduction in the bonus available to County Councils.

3.18. If the Government's preferred option outlined in paragraph 3.14 (but not those in 3.16 and 3.17) for withholding and reducing the Bonus had applied in 2016-17, there would have been a £34 million increase in resource available for other pressures.

3.19. As described in paragraph 3.12, the impacts on Bonus payments would only apply during the years for which a local authority had not published or submitted a Local Plan. For instance, if, in normal circumstances, a local authority would have been entitled to grant payments under the Bonus in 2017-18, but had not published its Local Plan until 2019-20, that authority would not receive any payments in the years 2017-18 and 2018-19. But it would receive legacy payments relating to allocations in previous years including 2017-18 and 2018-19, alongside any new allocation, in 2019-20.

B. Reducing payments for homes allowed on appeal

3.20. Currently, where a development is granted planning permission on appeal, overturning the original decision made by a local planning authoritiy (or in place of a decision by the authority in the case of appeals against non-determination), councils receive the same reward as when development takes place that the local planning authority has permitted. This means that Bonus payments do not always reflect positive decisions to allow development, and nor do they reflect the additional costs and delays for applicants arising as a result of the appeal process. The Government is, therefore, proposing to reduce new in-year allocations payments to individual authorities where residential development is allowed on appeal.

3.21. Government's **preferred approach** is to use existing data collected by the Plannning Inspectorate as the basis for these adjustments. The Inspectorate record the number of houses associated with each planning appeal decision (which may be indicative numbers in the case of applications for outline planning permission). This data would be used on an annual basis to calculate the change required to the overall New Homes Bonus grant for each local authority, to reflect the total number of homes allowed on appeal in a given year. This would allow adjustments to be calculated in a relatively straightforward and transparent manner.

3.22. Some time can elapse between a decision by a local planning authority to refuse an application, any subsequent appeal decision and when the resulting homes get built and added to the council tax base. To allow for this, there would be a time lag between the appeal outcomes that are counted for the purposes of New Homes Bonus adjustments, and the point at which those changes are then applied to Bonus payments. This will reduce any possibility of a significant mismatch between the pattern of current planning decisions by an authority and any change in Bonus payments which is made.

3.23. The Government has considered whether, as an alternative option, individual planning appeal decisions involving housing could be tracked through to completion, so that adjustments to New Homes Bonus payments are made only when the properties concerned are built and occupied (with the change then reflected in the next applicable New Homes Bonus calculation). However this would add significantly to the data that needs to be collected and reported by local planning authorities, so it is not government's preferred approach.

Consultation question 6 Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?

3.24. Government proposes that there would be a <u>reduction</u> in the New Homes Bonus payment per home allowed on appeal, rather than it being withheld in full. This is for two reasons:

- Not all refusals of permission – and subsequent appeals – result from authorities opposing the principle of development (some, for example, arise from unresolved disagreements over technical issues such as the adequacy of highways access).
- The New Homes Bonus is intended to provide a benefit to the community as a whole, and there is a limit to the extent to which local people should be penalised as a result of poor decisions made by their local planning authority.

3.25. The Government is therefore consulting on whether to reduce New Homes Bonus payments by 50%, or 100% where homes are allowed on appeal, although we are interested in views on other percentage reductions that could be applied. This adjustment would be applied to all six years for which the Bonus would otherwise have been paid in full.

Consultation question 7 Do you agree that New Homes Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustment would you propose, and why?

3.26. At the time of an appeal decision the ultimate council tax banding of the homes being proposed is not known (as this will depend on their valuation once built). For this reason the calculation of what adjustment should be made, where homes are allowed on appeal, will need to be based on a proxy value. Government's preferred approach is to use the standardised flat rate reduction in payments – for example based on a national average New Homes Bonus figure for Band D properties[6]. The use of the average council tax, for the existing housing stock in each authority was considered as an alternative proxy value, to avoid the risk of over-penalising authorities with high percentages of stock in lower

[6] This is in line with the current approach of calculating the New Homes Bonus.

council tax banding (and, conversely, of applying a reduced penalty in areas where high value properties predominate). In order to maintain consistency with the rest of the New Homes Bonus allocations process this was rejected in favour of the simplicity and transparency inherent in the national Band D average.

> **Consultation question 8**
> Do you agree that reductions should be based on the national average Band D council tax? If this were to change (see question 2) should the new model also be adopted for this purpose?

3.27. We estimate that the overall impact of the Government's preferred approach to abatement to reflect housing permissions given on appeal would have been a reduction in 2016-17 New Homes Bonus allocations of around £17m. To understand the process in detail a worked **example** for a "typical" authority, is provided in the Annex to this consultation paper.

C. Removing deadweight

3.28. The Bonus is currently paid on all new housing regardless of whether or not it would have been built without an incentive. Removing this deadweight from the calculation of the Bonus would allow payments to be more focussed on local authorities demonstrating a stronger than average commitment to growth.

3.29. **One option** for removing deadweight from payments would be to set a single baseline for all areas and only make payments under new allocations relating to housing above that baseline. Details of the calculation are outlined in the Annex to this consultation. A possible level of the baseline is 0.25%. This is lower than the average housing growth over the years prior to the introduction of the Bonus in order to ensure that, whilst it acts as an incentive, not too many authorities fall outside the Bonus entirely. The approach proposed also has the advantage of setting an expectation for growth for all authorities and allowing some flexibility to respond to a changing funding envelope if necessary.

> **Consultation question 9**
> Do you agree that setting a national baseline offers the best incentive effect for the Bonus?

> **Consultation question 10**
> Do you agree that the right level for the baseline is 0.25%?

3.30. An **alternative option** would be to set a baseline based on the average growth rate of dwellings in each local authority or local area. However, potentially, this would have the impact of "rewarding" authorities who had only achieved low growth in the past and penalising those who had done well. In addition, it could result in large numbers of authorities not receiving a Bonus payment at all (using 2016-17 provisional figures, we estimate that around 65 authorities would fall outside the Bonus with a "moderate" baseline of 0.5%). This could have the perverse impact of reducing the significance of the Bonus for those authorities and, thus, eroding its incentive effect overall.

3.31. Government would also make **adjustments to the baseline in order to reflect significant and unexpected housing growth**. Under the current proposals for calculation of allocations, there is a risk that the overall cost of the Bonus could go over budget in a given year in the event of a sudden national surge in housing building leading to increased allocations. As explained above, the current proposed level for the deadweight threshold is set around a third of historic levels of housing growth. This leaves considerable scope to increase the threshold without impinging significantly on additional growth. Increasing the threshold would allow the cost of the Bonus to be brought back within budget. It would also be consistent with the Government's intention to ensure that the Bonus acts as a true incentive to housing growth. Changes to the baseline would only be implemented where there was concern that budgets would be breached and would be included in the annual consultation on provisional allocations.

Consultation question 11
Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth? If not, what other mechanism could be used to ensure that the costs of the Bonus stay within the funding envelope and ensure that we have the necessary resources for adult social care?

Impacts on equalities groups

3.32. In exercising its functions, the Government is required to comply with the public sector equality duty. This means that the government must have due regard, in making any decision, to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex and sexual orientation.

3.33. Government would welcome information on any impacts that consultees can foresee these proposals having on specific protected equalities groups under the Equalities Act 2010. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex and sexual orientation.

Worked examples

3.34. Chart 5 below exemplifies the overall impact of the changes proposed using the provisional allocations published alongside this consultation for 2016-17 and assuming that these would be unchanged in future years without the proposals in this consultation. A detailed example showing the impact on an imaginary local authority is set out in the Annex to this consultation paper.

£m	Payments already made
£m	Payments to be made
£m	Estimated future payment

Payment relating to:	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2011/12	199	199	199	199	199	199				
2012/13		233	233	233	233	233				
2013/14			236	236	236	236	236			
2014/15				249	249	249	249			
2015/16					251	251	251	251		
2016/17						293	293	293	293	
2017/18							168	168	168	168
2018/19								168	168	168
2019/20									168	168
2020/21										168
Annual total (£m)	**199**	**432**	**668**	**917**	**1,168**	**1,461**	**1,197**	**880**	**798**	**673**

Chart 5 – preferred option, combined impact

National parks, development corporations and county councils

3.35. National Park Authorities (and the Broads Authority) are responsible for decisions on planning applications in their areas, and for producing a Local Plan; whereas New Homes Bonus payments are made to the relevant district and county councils. This reflects the fact that local authorities are responsible for many of the services that would be affected by increased population in their areas. The original scheme design for the New Homes Bonus[i] did, however, make clear that billing authorities were expected to discuss with National Park Authorities and the Broads Authority the use of Bonus receipts in their areas. This could, for example, conclude in an agreement to split New Homes Bonus funding between them at a locally determined rate, or to reach an agreement on funding a specific community project.

3.36. Government has considered whether, in such areas, the Bonus paid to local authorities should be removed or reduced in the circumstances set out in this consultation: that is, where a local plan is not yet in place, where homes are allowed on appeal or where the homes being delivered are not additional to planned targets. As a more tightly-focused Bonus would have an increased focus on rewarding proactive planning, we think that the same approach should apply in these areas as elsewhere: in other words, the appropriate reductions would apply.

3.37. The same considerations apply where development corporations are established – whether Urban Development Corporations, or Mayoral Development Corporations in London. These bodies are again the local planning authority for Local Plan preparation and decsions on planning applications and, in some cases, plan making, but not the recipients of the New Homes Bonus.

Consultation question 12
Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?

3.38. Government has also considered the position of county councils in two tier areas, who receive 20%of Bonus payments, but are not the planning authority for decisions involving residential development. Again, Government is <u>not</u> proposing to exempt county councils from the calculation of any adjustments, given the need to more tightly focus future Bonus payments.

> **Consultation question 13**
> Do you agree that county councils should not be exempted from adjustments to the Bonus payments?

Protecting individual local authorities

3.39. In proposing the reforms set out in this consultation, Government has sought to ensure that impacts strike the right balance between rewarding local authorities who are truly open to housing growth in their areas and the provision of sufficient resources, when taken with those provided under the wider local government settlement, to meet local needs. It is possible, however, that some local authorities might be particularly adversely affected by the changes which Government is proposing. Whilst this might reflect unwillingness to support and encourage housing growth in their areas, it might also suggest factors which are outside that local authority’s control. Government would, therefore, welcome views on whether there is merit in some form of mechanism to protect local authorties who are particularly adversely affected by the reforms proposed in this consultation paper.

> **Consultation question 14**
> What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?

Section 4: Summary of Questions

Question 1 What are you views on moving from 6 years of payments under the Bonus to 4 years, with an interim period for 5 year payments?

Question 2 Should the number of years of payments under the Bonus be reduced further to 3 or 2 years?

Question 3 Should the Government continue to use this approach? If not, what alternatives would work better?

Question 4 Do you agree that local authorities should lose their Bonus allocation in the years during which their Local Plan has not been submitted? If not, what alternative arrangement should be in place?

Question 5 Is there merit in a mechanism for abatement which reflects the date of the adopted plan?

Question 6 Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?

Question 7 Do you agree that New Homes Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustment would you propose, and why?

Question 8 Do you agree that reductions should be based on the national average Band D council tax? If this were to change (see question 3) should the new model also be adopted for this purpose?

Question 9 Do you agree that setting a national baseline offers the best incentive effect for the Bonus?

Question 10 Do you agree that the right level for the baseline is 0.25%?

Question 11 Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth? If not, what other mechanism could be used to ensure that the costs of the Bonus stay within the funding envelope and ensure that we have the necessary resources for adult social care?

Question 12 Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?

Question 13 Do you agree that county councils should not be exempted from adjustments to the Bonus payments?

Question 14 What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?

Section 5: Next Steps

Next steps

5.1 You should respond by 10 March 2016. If possible, please respond to the questions in this consultation via the online form: https://www.surveymonkey.co.uk/r/X8RHSH5. Responses may also be sent to: newhomesbonus@communities.gsi.gov.uk (With attachments in Microsoft Word only).

5.2 Comments received on the proposals set out in the consultation will be collated and a formal response document published within three months of the closing date of the consultation.

Annex – Worked Example

Suppose a unitary local authority has 10,000 dwellings in their council taxbase in October 2015 and these are spread evenly across the council tax bands. If there was a net increase of 80 dwellings added during the following year, evenly spread across the council tax bands, then this would equate to an increase of 97 band D equivalent dwellings.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Adjustment factor for Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
2015 council taxbase	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	**10,000**
Net additions	10	10	10	10	10	10	10	10	**80**
Additions (Band D equivalents)	7	8	9	10	12	14	17	20	**97**

Assuming 10 of these new dwellings were eligible for the affordable housing premium and applying the latest average Band D council tax rate (2015/16 - £1,483.58) then that local authority would be eligible for the following payments under an unreformed New Homes Bonus scheme in 2017/18:

Band D equivalents	97
Average band D	£1,483.58
Sub-total:	£143,413
Affordable housing premium (per unit)	£350
Affordable housing supply	10
Sub-total:	£3,500
Total Bonus:	**£146,913**

<u>The impact of policy proposals – withholding the Bonus where there is no Local Plan</u>

If the same hypothetical authority was allocated a New Homes Bonus payment of £120,000 in 2016/17 and each year from 2017/18 would generate the same payment, as outlined above (£146,913) the impact of the reforms will depend on the status of their local plan in each year. Assuming that the local authority does not have a plan in place in 2017/18 but publishes one in 2018/19 and submits it in 2019/20 their new homes bonus payments are illustrated below:

			Payment received in:				
		Bonus amount:	2016/17	2017/18	2018/19	2019/20	2020/21
Payment relating to:	2016/17	£120,000	£120,000	£120,000	£120,000	£120,000	£120,000
	2017/18	£146,913	**n/a**	£0	£0	£146,913	£146,913
	2018/19	£146,913	**n/a**	**n/a**	£0	£146,913	£146,913
	2019/20	£146,913	**n/a**	**n/a**	**n/a**	£146,913	£146,913
	2020/21	£146,913	**n/a**	**n/a**	**n/a**	**n/a**	£146,913
Local plan status			No Local Plan	No Local Plan	Plan published	Plan submitted	

Having no plan in 2017/18 means that aside from payments from allocations on or before 2016/17 the local authority receives no additional New Homes Bonus allocation in that year, losing £146,913. In the following year on publication of their Local Plan they still do not receive a bonus allocation for 2017/18 and 2018/19. Once the local plan is submitted in 2019/20 all payments resume in full.

In two tier areas, we are proposing that the impacts would only affect the district authority and not the County Council (although, in paragraph 3.15, the question is explored further). As such, under the same circumstances the impacts would be 80% of the full payment outlined for the hypothetical unitary authority used in this example.

<u>The impact of policy proposals - reducing payments for homes allowed on appeal</u>

Suppose now the local authority had seen several recent planning decisions appealed and as a result the Planning Inspectorate had given permission for 10 dwellings on appeal. This would trigger a 50% reduction in the New Homes Bonus allocation awarded for 10 dwellings.

Band D equivalents	97
Average band D	£1,483.58
Affordable Homes premium	£3,500
Sub-total:	£146,913

50% of average Band D	£741.79
Homes permitted on appeal	10
Sub-total – reduction in bonus	£7,418
Total Bonus:	**£139,495**

If this were a two tier authority the reduction would be incurred by both tiers in the same proportions as the bonus is awarded because the reduction in award is determined as above before being distributed to local authorities according to the tier split. As such, under the same circumstances a district authority would receive £111,596 and the County Council £22,319, as opposed to £117,530 and £23,506 respectively.

In any local authority area where the level of appeals were so high in a year as to exceed the effective growth (measured in Band D equivalents) of their council taxbase, their only award would be based on the affordable housing premium with all other elements of the payment being reduced to zero.

The impact of policy proposals – removing deadweight

The baseline growth in the council taxbase proposed in this worked example is 0.25% of the growth in Band D equivalents and this is applied to all local authorities. This level of baseline removes an element of the allocation on the basis of underlying growth, whilst trying to limit the extent to which local authorities do not receive any award under the New Homes Bonus. This approach alone would affect all authorities to some extent but in 2016/17 provisional allocations only 8 would have failed to reach the threshold growth in their council taxbase to receive no payment whatsoever and two of those authorities would not have been rewarded anyway because they saw a decrease in total Band D equivalents.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Adjustment factor for Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
2015 council taxbase	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	**10,000**
Band D equivalents (start year)	833	972	1,111	1,250	1,528	1,806	2,083	2,500	**12,083**
Net additions	10	10	10	10	10	10	10	10	**80**

Additions (Band D equivalents)	7	8	9	10	12	14	17	20	**97**
Baseline growth (deadweight 0.25%)	2	2	3	3	4	5	5	6	**30**
Growth above baseline	5	5	6	7	8	10	11	14	**66***

*Totals may not sum due to rounding (after adjusting to Band D equivalent numbers)

Taking the example of the hypothetical authority described above once more. The growth in band D equivalents of 97 represents a 0.8% increase in their stock of Band D equivalents. Therefore the baseline growth of 0.25% would represent 30 of these and as such the New Homes Bonus allocation would be calculated by applying the national average Band D council tax (£1483.58) to the remaining 66, to give an allocation of £102,096. This represents a reduction of £44,816 when compared to the unreformed system.

The combined impact

Band D equivalents (growth)	97
Average band D	£1,483.58
Affordable Homes premium	£3,500
Sub-total:	£146,913
Reduction in bonus - appeals	£7,418
Reduction in bonus - deadweight	£44,816
Total reduction in bonus	**£52,234**
Final Bonus allocation:	**£94,678**

This page is intentionally left blank

Section 4: Summary of Questions

Question 1 What are you views on moving from 6 years of payments under the Bonus to 4 years, with an interim period for 5 year payments?

The Councils current medium term revenue forecast is predicated on a drip feed of NHB to support the revenue and capital budgets with only a small amount of 'spare' NHB based on a 6 year scheme. This one change will mean the Council is required to find an additional £600k in savings over the next 3 years. We are therefore strongly opposed to the move to a 4 years scheme.

Question 2 Should the number of years of payments under the Bonus be reduced further to 3 or 2 years?

We do not support a reduction to 3 or 2 years. Following on from the our answer to question 1, a reduction to a 2 year scheme would see the council facing cuts to it's proposed 2016/17 net revenue budget of around 28%.

Question 3 Should the Government continue to use this approach? If not, what alternatives would work better?

We do support this approach and consider that the scheme has delivered its objectives for housing delivery particularly for spare rural District Councils. It is apparent that the motivation for change is explicitly to fund the gap in Adult Social Care which, whilst incredibly important, is not currently the function of a District Council. The pre-cepting of Council tax goes someway to address the gap, there are other alternatives to fund Adult Social care without jeopardising housing delivery.
The administration of the New homes bonus scheme is already relatively complicated, we do not wish to see a scheme which makes this any more complicated.

Question 4 Do you agree that local authorities should lose their Bonus allocation in the years during which their Local Plan has not been submitted? If not, what alternative arrangement should be in place?

No because this does not take into account the many reasons a plan could be delayed, the bonus and scheme needs to be flexible and encourage good plan making and housing delivery in keeping with the plan strategy.

Question 5 Is there merit in a mechanism for abatement which reflects the date of the adopted plan?

A staggered abatement is better than a guillotine but please refer to previous answers.

Question 6 Do you agree to this mechanism for reflecting homes only allowed on appeal in Bonus payments?

No for the simple fact there are many reasons homes may not be allowed.

Question 7 Do you agree that New Homes Bonus payments should be reduced by 50%, or 100%, where homes are allowed on appeal? If not, what other adjustment would you propose, and why?

Please see previous answers.
This is not reflecting the democratic planning process and introduces a further complexity in the returns.

Question 8 Do you agree that reductions should be based on the national average Band D council tax? If this were to change (see question 3) should the new model also be adopted for this purpose?

If average band Ds are used for everything else it is sensible they are used throughout the process although we do not agree to the reductions

Question 9 Do you agree that setting a national baseline offers the best incentive effect for the Bonus?

No

Question 10 Do you agree that the right level for the baseline is 0.25%?

If this is linked to Council tax base the answer is No because there would be no bonus on the first 52 properties.

Question 11 Do you agree that adjustments to the baseline should be used to reflect significant and unexpected housing growth? If not, what other mechanism could be used to ensure that the costs of the Bonus stay within the funding envelope and ensure that we have the necessary resources for adult social care?

If there is a funding envelope use it, an alternative is to cap.

Question 12 Do you agree that the same adjustments as elsewhere should apply in areas covered by National Parks, the Broads Authority and development corporations?

Yes

Question 13 Do you agree that county councils should not be exempted from adjustments to the Bonus payments?

Yes

Question 14 What are your views on whether there is merit in considering protection for those who may face an adverse impact from these proposals?

The NHB has been instrumental in helping to achieve a significant annual increase in house building in Ryedale District and help politicians and communities to buy into the Government's vision to increase national house building towards a 250,000 a year target.

These proposals - in particular the reduction in timeframe for NHB from 6 to 4 or less years - will not only cause significant financial hardship at the Council. This Council, in common with many other authorities, is using the NHB to deliver front-line services and support its revenue account). Most importantly, withdrawal of this key incentive at a crucial point, when the battle to build more houses is starting to be won in Ryedale District and elsewhere, will fundamentally threaten the push towards increased home ownership and build rates. In 2016/17 the annual build rate in Ryedale will be around 40% above the rate set in the Local Plan, at least partly because of NHB.

In local authorities such as Ryedale where there has been such a positive response to NHB, the Government should maintain NHB over the 6 year period and at previously anticipated rates.'

This page is intentionally left blank