

**TO: THE EXECUTIVE**  
**DATE: 18 DECEMBER 2018**

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**GENERAL FUND REVENUE BUDGET 2019/20**  
**(Chief Executive/Director of Finance)**

**1. PURPOSE OF REPORT**

- 1.1 Under the Council's constitution, the Executive is required to consult on its detailed budget proposals with the Council's Overview & Scrutiny Commission and any other interested parties or individuals for a period of at least six weeks. This report summarises the current position on the Council's budget preparations for 2019/20 as a basis for that consultation.
- 1.2 As the Council accepted in Autumn 2016 the offer of a four year financial settlement, budget preparations have assumed that funding will be in line with the indicative figures received on 6 February 2018 (as part of the Final Local Government Finance Settlement 2018/19). The Provisional Local Government Financial Settlement was due to be published on the 6 December but has been delayed because of the Brexit vote on the 11 December.
- 1.3 All comments received on these budget proposals will be submitted to the Executive on 12 February 2019. This will allow the Executive to determine its final budget package and recommend the appropriate Council Tax level to Council, which will formally approve the 2019/20 budget and Council Tax on 27 February 2019.

**2 RECOMMENDATIONS**

**That the Executive:**

- 2.1 **Agree the draft budget proposals for 2019/20 as the basis for consultation with the Overview & Scrutiny Commission and other interested parties or individuals.**
- 2.2 **Agree the Treasury Management Strategy and associated documents at Annex E and request that the Governance and Audit Committee review each of the key elements.**
- 2.3 **Agree that the 2019/20 Schools Budget be set at the eventual level of the Dedicated School Grant income plus any accumulated DSG balances and additional Council funding within the limit set out in recommendation 2.4.**
- 2.4 **Agree that up to £1m of additional funding for schools be made available from the Council over the next 4 years to help mitigate the financial impact of new schools.**
- 2.5 **Authorise the Executive Member for Children, Young People and Learning to agree the allocation of the sums available for schools funding as set out in recommendation 2.4 having regard to the decisions and recommendations of the Schools Forum and to agree detailed budgets for services centrally managed by the Council.**

- 2.6 Approve the virements relating to the 2018/19 budget as set out in Annexes F and G and recommend those that are over £0.100m for approval by Council.**

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1 The recommendations are designed to allow the Executive to consult on its draft budget proposals for 2019/20 as required by the Local Government Act 2003.

### **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The range of options being considered is included in the report and its Annexes.

### **SUPPORTING INFORMATION**

## **5 COMMITMENT BUDGET 2019/20 – 2021/22**

- 5.1 Initial preparations for the 2019/20 budget have focussed on the Council's Commitment Budget for 2019/20 – 2021/22. This brings together the Council's existing expenditure plans, taking account of approved commitments and the ongoing effects of service developments and efficiencies that were agreed when the 2018/19 budget was set.

- 5.2 A number of changes are proposed to the Commitment Budget since it was last considered by the Executive in February and are reflected in the summary in Table 1. The most significant changes in 2019/20 are set out below:

- Interest on external borrowing is expected to be significantly less than previously budgeted as a result of slippage in the capital programme, the pre-payment of pension contributions and improved cash balances. The improved cash position primarily relates to capital grants received, additional Community Infrastructure Levy and S106 receipts (-£1.512m);
- Slippage within the adults transformation programme which is now expected to deliver -£0.616m of savings in 2019/20 (£1.084m);
- Slippage within the Parks and Open Spaces transformation programme where the savings relating to the country park are now expected to be delivered in 2020/21 (£0.158m);
- An Invest to Save Scheme at Bracknell Leisure Centre will generate additional management fee income (-£0.325m).
- Further increases in car parking income are no longer expected to be achievable (£0.162m).
- Net income expected from commercial properties has been reduced (£0.250m).

The overall impact of these changes is to decrease the Council's Commitment Budget by £0.118m compared to the position reported in February.

- 5.3 Taking account of these changes, Table 1 summarises the position and shows that base expenditure (excluding schools) is planned to decrease by £3.085m to £80.570m next year, primarily due to the expected savings from the Transformation Programme, before consideration is given to allowances for inflation and the budget proposals identified by individual Directorates in 2019/20. The commitment budget is shown in more detail in Annexe A.

Table 1: Summary Commitment Budget 2019/20-2021/22

	Planned Expenditure		
	2019/20 £000	2020/21 £000	2021/22 £000
Base Budget	83,655	80,570	80,615
<i>Movements in Year:</i>			
Central	-190	-551	-42
Delivery	-536	-113	0
People (excluding schools)	-867	-21	-564
Non Departmental / Council Wide	-1,492	730	800
<i>Total Movements</i>	-3,085	45	194
<b>Adjusted Base</b>	<b>80,570</b>	<b>80,615</b>	<b>80,809</b>

## 6 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2019/20

- 6.1 The Government's Autumn Budget, published on 29 October 2018, set out the government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility. This indicated that additional resources would be made available in 2019/20 for social care. It has been confirmed that this will equate to additional income of -£0.980m for Bracknell Forest. This has been reflected in the budget proposals in Table 5. Business Rates will also be reduced by a third over two years for small businesses (those with a rateable value of £51,000 or less) with the resultant loss in income being fully funded via a section 31 grant.
- 6.2 The Council's budget is set within the context of a 4-year Local Government Funding Settlement (LGFS) published following the General Election in May 2015. As such, 2019/20 is the final year of this agreement, and initial budget preparations therefore focused on the published indicative figures. The Government has indicated it will aim to publish provisional figures in early December and final figures by the end of January for 2019/20 and future years. The Provisional Local Government Finance Settlement was therefore expected to be published on 6<sup>th</sup> December, however the debate and vote on the Brexit negotiations has resulted in an inevitable delay until at least 11<sup>th</sup> December. Some of the grant information follows a number of days or weeks after the provisional settlement and any changes will be incorporated into the February report along with any changes in the Final Settlement.
- 6.3 Funding from central government is currently received through Revenue Support Grant (RSG) and Specific Grants. For planning purposes an estimate of the reduction in central government support has been incorporated within these budget projections, reflecting a further cut of £2.7m in RSG, to £1.7m, for 2019/20 (in 2018/19 RSG was subsumed into the Business Rates Baseline as part of the pilot).

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6.4 The Council also receives substantial external funding through a number of specific grants for which the following assumptions have been included within the latest budget projections.

a) New Homes Bonus

In 2015/16 the Government consulted on a number of possible reforms to the New Homes Bonus to sharpen the incentive for housebuilding and provide £800m for Adult Social Care. The outcome of the consultation was announced alongside the Provisional LGFS for 2017/18. The Government decided to:

- reduce the number of years for which legacy payments are made from 6 years to 5 years in 2017/18 and then to 4 years from 2018/19 and
- set a national baseline for housing growth to sharpen the incentive for councils to deliver more new homes. The Government chose to set the initial baseline in 2017/18 at 0.4% below which the Bonus will not be paid but retained the option of making adjustments to the baseline in future years in the event of significant and unexpected housing growth.

The Government subsequently consulted over the Summer in 2017 on further changes to the scheme, however the proposal to link New Homes Bonus payments to the number of successful planning appeals was not implemented. In the July 18 consultation on the 2019/20 LGFS, the Government confirmed that it intended to increase the baseline in 2019/20 due to the continued upward trend in house building. An increase in the threshold would further reduce the level of funding received.

Looking beyond 2019/20, the Government has already indicated it intends to make further reforms in order to incentivise housing growth more effectively. The example given involves using the Housing Delivery Test results (a percentage measurement of the number of net homes delivered against the number of homes required over a three year period) to reward delivery or incentivising plans that meet or exceed local housing need. A consultation will be issued in due course.

As a result of the reforms to date, funding has reduced from -£3.9m in 2016/17 to -£1.8m in 2018/19 with a further reduction of £0.390m having been included in the draft budget proposals. The impact of the threshold change will be confirmed in the Provisional Settlement.

b) Other Specific Grants

Some of the largest specific grants received by the Council are the ring-fenced Public Health, NHS funding streams and Better Care Fund. Additional funding for Adult Social Care was announced as part of the national Spring 2017 Budget (-£0.929m for Bracknell Forest in 2017/18, -£1.016m in 2018/19 and -£0.509m in 2019/20). As the -£1.016m of grant funding is reflected in the base budget, the Commitment Budget shows this reducing by £0.507m in 2019/20 and by £0.509m to zero in 2020/21. Indicative improved better care funding for 2019/20 included in the Final Settlement last year, shows a net increase of £0.039m compared to 2018/19, additional income of -£0.546m is therefore reflected in the budget proposals in Table 5.

The Government has confirmed that the ring-fence on Public Health will be retained until 2019. Indicative figures provided in 2017/18 show a further reduction in grant of -£0.107m to -£3.943m in 2019/20.

## Unrestricted

- 6.5 It is likely that any further changes to the methodology and allocations to these specific grants will be implemented as part of the changes to the overall Local Government Funding System in 2020/21, which includes the introduction of 75% Business Rates retention.
- 6.6 A third important stream of income for the Council is Business Rates, a proportion of which is retained locally following the introduction of the Business Rates Retention reforms in April 2013. The level of Business Rates changes each year due to inflationary increases (set by central government), the impact of appeals and local growth or decline as local businesses and economic conditions expand or contract. The Government sets a baseline level of funding against which any growth or reduction is shared between local and central government.
- 6.7 Currently the Council collects significantly more Business Rates than it is allowed to keep and until the 2018/19 Business Rates Pilot only received approximately a quarter of any Business Rates growth. There has however been considerable volatility in Business Rates income following the transfer of a large multi-national company on to the Council's valuation list in 2013/14. Initially this significantly increased the level of Business Rates collected locally but following a successful appeal the rateable value was reduced by 28% in 2016/17. A further appeal was lodged following the 2017 valuation which is still outstanding and it is anticipated that the company will join the Central Rating List when the new Business Rates system is introduced in 2020/21. An unavoidable consequence of this has been significant volatility in the Collection Fund balance each year. In 2017/18 a significant surplus of -£3.045m was projected on the Business Rates element of the Collection Fund. This was transferred into the Future Funding Reserve in 2018/19 and has been reversed out of the budget proposals in Table 5 due to the one-off nature of the income. A final projection for the Collection Fund in 2018/19 will need to be made by the 31 January which will be incorporated into the February budget report. Early indications are that there will be a significant deficit which will be met from the Future Funding Reserve.
- 6.8 At this stage, Business Rates income is forecast to grow in line with the Government's baseline assumptions, with growth from the opening of the regenerated Town Centre being reflected in last year's budget.
- 6.9 The Government has announced that it still intends to introduce a new system by 2020/21, however this will now be based on 75% retention of Business Rates growth locally. To coincide with this a fair funding review is currently underway which will calculate the new baseline funding levels for individual local authorities based on an up-to-date assessment of their relative needs and resources. Existing grants including Revenue Support Grant and the Public Health Grant will be incorporated into the revised baseline and more responsibilities are likely to be transferred to Local Government to ensure that the new system is fiscally neutral overall. The outcome of these deliberations is impossible to determine, although it will almost certainly have a significant long-term impact on the funding of the Council.
- 6.10 This will most likely mean that all or a large part of the additional business rates that the Council has secured through the company referred to above and from the town centre opening in 2017 will no longer directly benefit Bracknell Forest. This is a consequence of Bracknell Forest having for many years been able to generate income significantly in excess of its assessed funding needs. As the Council uses a significant element of Business Rates growth (approximately £4m) to support the budget, this will result in a significantly increased budget gap in 2020/21.

## Business Rates Pilots

- 6.11 The six Berkshire Unitaries successfully bid for 100% rates retention pilot status in 2018/19, with Bracknell Forest acting as the lead authority. As a result, Revenue Support Grant (RSG) was incorporated into the calculation of the Council's Business Rates baseline funding level and no levy will be chargeable on any growth achieved above this level enabling 100% to be retained locally. Although the actual benefits will depend on the level of business rates collected during 2018/19 the budgeted position for Berkshire as a whole was initially assessed as around £35m and subsequently predicted to offer a net gain of approximately £50m. Under the joint proposal £25m of this is being provided to the Thames Valley Berkshire LEP to undertake improvements in transport infrastructure that would help secure further economic and housing growth within the County. The remainder will be allocated across the individual authorities in proportion to their actual growth in business rates income.
- 6.12 The budgeted net gain for Bracknell Forest resulting from the additional Business Rates and Section 31 grant (relating to previous Business Rates policy decisions) income totalled approximately £7m. The Council took the prudent decision not to use any of this additional income to support the 2018/19 budget but instead to transfer it to the Future Funding Reserve. This was due to the one-off nature of the income and the fact that any increase in the reliance on Business Rates growth above the £4m currently used to support the budget (see paragraph 6.10) would simply create the potential for a greater "cliff edge" in 2020/21, when the new funding system is expected to remove or significantly reduce this gain. The resources will now be available to provide protection against the significant funding changes expected from 2020/21, at which point the level of General Reserves is expected to be closer to the minimum prudent level.
- 6.13 Although thought to be a possibility at one point, the Government has decided not to automatically continue with the current pilots into 2019/20. They have invited proposals to pilot a 75% rate retention system, reducing the incentive from the 100% retention in the current year to make it more affordable. Existing pilot areas are permitted to bid again, but will receive no favourable treatment. Unlike in the current year, there will be no "no detriment" arrangement, i.e. pilot authorities will need to accept the potential to lose as well as gain. However, in Berkshire, this is thought to be a very unlikely scenario.
- 6.14 Recognising the potential financial gains that pilot status can bring to fund strategic infrastructure improvements and support local budgets, the Berkshire authorities, including Berkshire Fire Authority this time, have submitted a proposal. It is very similar in structure to the successful 2018/19 bid, with around £11m of the potential gains being pooled and the remainder being retained by individual authorities.
- 6.15 Given the potential benefits, the level of competition between areas to attain pilot status will be high and therefore the likelihood of success was felt to be low. Areas are expected to be informed just before or as part of the provisional LGFS.
- 6.16 Income from Business Rates growth will reduce next year as a consequence of moving away from 100% rates retention under the existing pilot. Currently the base budget includes a transfer of £8.2m into the Future Funding Reserve. This transfer will be reduced accordingly so that any loss in income does not impact on the budget gap.

## 7 COUNCIL TAX

- 7.1 Council Tax at present levels will generate total income of -£57.345m in 2019/20. An increase in the Council Tax Base arising from the occupation of new properties during 2019/20 and a reduction in the take-up of the Local Council Tax Benefit Support Scheme is forecast to contribute an additional -£0.348m (+0.6%). The Council Tax Base for 2019/20 has therefore been set at 45,573 Band D equivalents.
- 7.2 The surplus/deficit on the Council Tax element of the Collection Fund in 2018/19 will need to be assessed by the 15 January 2019. Early indications are that there will be a material deficit, caused primarily by a lower than expected growth in the taxbase. This figure will impact on the 2019/20 budget and will be incorporated into the February budget report.
- 7.3 The Government limits Council Tax increases by requiring councils to hold a local referendum for any increases in excess of a threshold percentage which is normally included in the Local Government Financial Settlement. In 2017/18 a referendum was required for Council Tax increases of 3% or more. Early indications are that the same level will be set in 2019/20 but this will not be confirmed until the Provisional Settlement is received. As a council with Social Care responsibilities, Bracknell Forest was able to increase Council Tax by a further 3% in 2017/18 and 2018/19 to support Social Care pressures and the Council's Medium Term Financial Strategy. This will not be an option in 2019/20 as 6% is the maximum permissible increase over the three year period. Each 1% increase in Council Tax would generate approximately -£0.577m of additional income.
- 7.4 The Executive at its meeting in February will recommend to Council the level of Council Tax in light of the Final Settlement, the results of the consultation and the final budget proposals.

## 8 BUDGET PROPOSALS 2019/20

### Service Pressures and Developments

- 8.1 In the face of significant reductions in public expenditure in general and in grants to Local Government in particular the scope to invest in new service provision is severely restricted. Nevertheless, it is important to retain a clear focus to ensure that the Council continues to deliver its six strategic themes. In preparing the 2019/20 draft budget proposals each directorate has evaluated the potential pressures on its services and these are set out in Annexe B. Table 2 summarises the pressures by directorate.

Table 2: Service Pressures/Development

<b>Directorate</b>	<b>£'000</b>
Central	98
Delivery	731
People (excluding schools)	1,758
Non Departmental / Council Wide	0
<b>Total Pressures/Developments</b>	<b>2,587</b>

- 8.2 Many of the pressures are simply unavoidable as they relate to current levels of demand or legislation changes. They do, however, also support the six strategic themes included in the new Council Plan in the following way:

## Unrestricted

- people have the life skills and education opportunities they need to thrive (£0.073m);
  - people live active and healthy lifestyles (£0.850m);
  - a clean, green, growing and sustainable place (0.479m);
  - strong, safe, supportive and self-reliant communities (£0.970m);
  - provide value for money (£0.153m).
- 8.3 Service pressures will be kept under review throughout the budget consultation period. There is always the risk in Social Care services in particular that the numbers of people requiring care packages, the content of existing care packages and contract inflation will vary considerably from the assumptions included in these draft budget proposals. Any revisions to service pressures will be reported to the Executive in February.
- 8.4 In addition to these revenue proposals the Council continues to invest in its priorities through targeted capital expenditure. Details are contained in the capital programme report, but the cost of funding all potential commitments arising from these various proposals is included in these draft budget proposals.

### Service Economies

- 8.5 Members and officers have held regular meetings to determine options for savings and a list of potential draft budget savings has been developed, to supplement the Transformation savings included in the Commitment Budget. This list totals -£1.890m and is attached at Annexe C and summarised in Table 3. As in previous years, economies have focused as far as possible on increasing efficiency, income generation and reducing central and departmental support rather than on front line services. There will potentially be some impact on services, although this has been minimised to a large degree.

Table 3: Summary Service Economies

<b>Directorate</b>	<b>£'000</b>
Central	-96
Delivery	-1,059
People (excluding schools)	-637
Non Departmental / Council Wide	-84
<b>Total Savings</b>	<b>-1,876</b>

### Significant Budget Decisions

- 8.6 Consideration and approval of the budget is a major policy decision. However, the budget, by its nature, includes a range of proposals, some of which in themselves represent important policy decisions. More details on each of the proposals are included in Annexe C.
- 8.7 As the budget report is a policy document and is subject to at least six weeks consultation, the identification of these issues within the budget report facilitates detailed consultation on a range of significant policy decisions.



## Council Wide Issues

- 8.8 Apart from the specific budget proposals contained in Annexes B and C there are some Council wide issues affecting all directorates' budgets which need to be considered. The precise impact of these corporate budgets is likely to change before the final budget proposals are recommended, however the current view on these issues is outlined in the following paragraphs.

a) Capital Programme

As outlined above, the scale of the Council's Capital Programme for 2019/20 will impact upon the revenue budget and will itself be subject to consultation over the coming weeks. All new spending on services will need to be funded from new capital receipts (including CIL), government grants, developer contributions or borrowing. The proposed Council Funded Capital Programme of £13.751m and externally funded (including self-funding schemes) programme of £11.586m for 2019/20 features in a separate report on tonight's agenda. After allowing for projected receipts of approximately £5m in 2019/20 and carry forwards, the additional revenue costs will be £0.014m in 2019/20 and £0.441m in 2020/21. These figures include on-going costs associated with the maintenance and support of IT capital purchases, which will help enable the Council's transformational change.

b) Interest and Investments

Now that the Council is in no longer debt-free and is reliant on external borrowing to fund its capital investments, returns on surplus cash are likely to remain relatively low during 2019/20 and beyond.

As such the impact of interest rates on borrowing rates are of greater significance to the Council. The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the Monetary Policy Committee (MPC) came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary nor contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. It is unlikely that the MPC will increase the Bank Rate in February 2019, ahead of the deadline in March for Brexit. Similarly, the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The Council's own forecasts are cautious and in line with a subdued path for increases in Bank Rate likely in the latter half of 2019 and into 2020. Long-term interest rates remain close to historical lows with 10-year and 25-year Public Works Loan Board rates in the region of 2.5% to 2.8%. Shorter dated maturities, less than 1 year, will track base rates and as such are not expected to increase materially over the next 12 months. Given a mix of borrowing maturities (longer term maturities will tend to be used for capital investment requirements whilst shorter-dated market loans will be used to manage day-to-day cash flow), the average interest rate on borrowing assumed in the Council's 2019/20 revenue budget is 2.5%.

## Unrestricted

With borrowing rates close to historical lows, the borrowing strategy of the Council will be to minimise the impact on the revenue account but recognising that better value is in the 40yr to 50yr range. The Council will therefore take a mix of borrowing maturities over the years reflecting the need for day-to-day cash flow and its longer-term capital investment strategy. The Council, in close co-ordination with its Treasury Management advisers, will monitor medium and long-term interest rates and take any necessary decisions based on the information available to effectively and efficiently fund the capital programme.

The Council reviews the annual Treasury Management Strategy Statement under the requirement of the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”). The Local Government Act 2003 required the Council to “have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the capital investment plans are affordable, prudent and sustainable”. Annexe E outlines the Council’s prudential indicators for 2019/20 – 2021/22 and sets out the expected treasury management activities for this period. These take account of the Commercial Property Investment Strategy (CPIS) agreed by the Executive on 15 November 2016. The MRP policy has been revised to include a “partial deferral” approach for Commercial Properties met from borrowing under the CPIS. MRP will be charged at 10% of the property value over a 15 year period to reflect a realistic level of value risk. It is recommended that the Executive agree the Treasury Management Strategy and associated documents and in line with the Code of Practice request that the Governance and Audit Committee review each of the key elements.

### c) Provision for Inflation and Pay Awards

The Commitment Budget excludes the cost of inflation on both expenditure and income. In past years, the Council has restricted the provision for inflation on prices as a general economy measure, to help address the underlying budget gap, although pay awards have been fully funded. In the context of the Council's overall financial position, it is again prudent to consider where the provision for inflation on prices can be limited as an economy measure, although some exceptions will be necessary to reflect actual increases that will not be containable without real service reductions or to meet contractual commitments. In particular it will be important to have realistic discussions with key providers about what level of inflation is genuinely necessary on some contracts and placements.

At this stage the inflation provision is not finalised, although for planning purposes a sum of £2.400m (£2.422m 2018/19) has been added to the budget. This will be achieved by:

- Assuming pay awards of 2% and including any additional impact of the higher increases for NJC staff on old scale point 28 (new scale point 22) or below;
- Negotiating to minimise inflation on contracts;
- Increasing fees and charges in line with the Council's income policy.

The Council will need to consider where it is appropriate and necessary to provide for inflation over the coming weeks so that the actual inflation provision can be added to the final budget report in February 2019.

d) Fees and Charges

Increases in fees and charges are determined by the overall economic conditions, the willingness of customers to pay the higher charges and continued demand for Council services. The Council policy for fees and charges requires each Directorate to consider the level of charges against the following criteria:

- fees and charges should aim, as a minimum, to cover the costs of delivering the service;
- where a service operates in free market conditions, fees and charges should at least be set at the market rate;
- fees and charges should not be levied where this is an ineffective use of resources, i.e. the cost of collection exceeds any income generated.

Certain other fees will attract the percentage determined by statute. The proposed fees and charges are included in Annexe D.

e) Corporate Contingency

The Council manages risks and uncertainties in the budget through the use of a general contingency added to the Council's budget. Every year the Council faces risks on its budget in relation to demand led services, Business Rates and the general economic climate. The Contingency has been reduced by £1.0m to £1.5m as part of the draft budget proposals. This reflects the fact that a significant level of transformation savings have already been achieved and those that have yet to be delivered have been re-profiled within the medium term forecast to take account of any identified slippage.

The Executive will need to make a judgement on the appropriate level of contingency at its February meeting, taking advice from the Director of Finance who will need to certify the robustness of the overall budget proposals in the context of the continuing progress on the Transformation Programme and the Council's remaining general and earmarked reserves. All the reserves will be reviewed to ensure that they are sufficient to manage the financial risks facing the Council in the coming years.

Spending on Schools

- 8.9 Changes by the Department for Education (DfE) to the way schools and education in general are funded are now reaching a conclusion and are intended to result in an efficient, simple and predictable funding system that is fair and supports pupils to achieve their potential. As the Council is the 6<sup>th</sup> lowest funded education authority, the expectation has always been that the most likely outcome for Bracknell Forest schools would be a funding gain.
- 8.10 As part of the process, the Education and Skills Funding Agency (ESFA), the executive agency of the DfE, intends to put in place a Schools National Funding Formula (SNFF) to directly fund all schools thereby reducing the role of councils. The main financial responsibilities remaining with councils would relate to ensuring the needs of vulnerable pupils are met, sufficient school places are available, working with schools to ensure they understand and discharge their safeguarding duties, ensuring fair access through admissions and promoting attendance.

## Unrestricted

- 8.11 To enable a measured move to the new framework, transitional arrangements will remain in place with local authorities continuing to set school budgets through to March 2021, within parameters set by the DfE.
- 8.12 The financial impact from the changes during the first 2 years is that there would be an increase in average per pupil funding for Bracknell Forest schools of £3.24m (+5.0%) - £1.70m (+2.7%) in 2018/19 and a further £1.54m (+2.3%) in 2019/20.
- 8.13 Despite the additional funding, there is a significant medium term financial pressure on the Schools Budget arising from the cost of new schools that are being built in response to new housing and the resultant need for more school places in order to fulfil the Council's agreed objective of delivering local schools for local children. In order to provide sufficient places when they are required, new schools will need to open at the start of the developments but will take a number of years to fill up as house building continues. During this period, new schools need additional financial support to cover what can be significant diseconomies of scale.
- 8.14 This cost pressure is not adequately resourced in the funding settlement from the DfE and this is expected to be the case over the medium term. Preliminary forecasts indicated a potential cost pressure on the Schools Budget over the next 4 years of up to £5m. This is after taking account of estimated grant funding the DfE provides to councils for this purpose.
- 8.15 In considering this matter, the Schools Forum expressed its concern to the Executive Member for Children, Young People & Learning about the serious adverse impact on existing schools of the delivery of new schools as there was insufficient funding from the DfE, and requested that the Council give consideration to ways of mitigating the adverse impact by providing additional financial support. The Schools Forum, not the Council has the statutory decision making power to set the amount of budget to support new schools.
- 8.16 A proposal has therefore been developed that shares the additional cost related to new schools between unallocated balances in the Schools Budget, the Council and individual schools. Based on current information, which is still subject to change over the medium term, the total 4 year cost to the Council of this proposal is estimated at £0.967m, with £0.345m in 2019/20 and £0.208m in each year from 2020/21 to 2022/23. The breakdown of what the provisional 4 year funding plan would be, with the Council committing to up to £1m, is:
- |                              |               |
|------------------------------|---------------|
| DSG financed school balances | £0.914m (21%) |
| Contribution from schools    | £2.415m (55%) |
| Contribution from BFC        | £0.967m (24%) |
- 8.17 In addition to grant funding for schools, the DfE makes separate allocations for Early Years funding for 0-4 year olds, pupils with special educational needs and disabilities (SEND) from age 0-24, and a small number of services that support schools and pupils which councils are permitted to manage centrally. Funding for each of these areas are expected to be in line with amounts received in the current year, with the funding to support high need pupils likely to increase by around £0.075m (0.5%).
- 8.18 Taking account of this information, -£93.54m of grant income is estimated to be available to the Council for 2019/20 through the specific ring-fenced Dedicated Schools Grant (DSG). This comprises -£69.95m for the Schools Block, -£7.03m for the Early Years Block, -£15.53m for the High Needs Block and -£1.03m for the Central Schools Services Block.

## Unrestricted

- 8.19 In addition to the DSG, schools also receive revenue funding from other specific grants including School Sixth Forms (currently -£4.643m), the Pupil Premium (-£3.345m), Primary PE and Sports Premium (-0.292m) and the Universal Infant Free School Meals Grant (-£1.487m). All of these amounts are subject to change in 2019/20.

### Spending on schools – decision making

- 8.20 Setting the overall level of the Schools Budget and the operation of the funding formula that distributes the money to schools is a statutory council function. In practice, the Schools Forum is asked to consider a range of proposals and it is expected that its recommendations are implemented, except in exceptional circumstances. The Schools Forum is legally required to determine how much of the overall schools funding is centrally managed by the local authority.
- 8.21 The DfE requires councils to confirm the basis on which actual school budgets will be allocated, including per pupil and all other funding rates, by 21 January 2019. To meet this requirement, 2019/20 school budgets will have to be set on the basis of the estimated level of DSG plus any other grants and accumulated balances. The draft budget proposals are prepared on this basis.
- 8.22 The approval timescale is very tight, with the DfE only expected to release the data that councils must use to set school budgets on the 12 December 2018. To meet the DfE's timescale of approval by 21 January, council statutory decisions around the Schools Budget together with endorsement of the decisions that the Schools Forum has the statutory power to take are normally delegated to the Executive Member for Children, Young People and Learning. Importantly, such decisions need to be made within the context of the overall level of funding agreed by the Executive, which is covered by recommendation 2.4 in this report.

### Summary

- 8.23 Adding the draft proposals to the Commitment Budget and taking account of the corporate issues identified above would result in total expenditure of £78.514m as shown in Table 5.

Table 5: Summary of proposals:

	£'000
Commitment Budget	80,570
Budget Pressures	2,587
Budget Economies	-1,876
Capital Programme	14
Inflation Provision	2,400
Change in Contingency	-1,000
Reversal of the one-off transfer into the Future Funding Reserve for the projected Collection Fund - Business Rates surplus in 2017/18	-3,045
Reduction in New Homes Bonus 2019/20	390
Additional Improved Better Care funding	-546
Additional Social Care Funding	-980
<b>Draft Budget Requirement 2019/20</b>	<b>78,514</b>

## Unrestricted

- 8.24 Without the Provisional Finance Settlement, assumptions have had to be made on the level of grant income. It has been assumed that the Council can anticipate income of up to -£75.986m. This arises from Revenue Support Grant and Business Rates baseline funding (-£18.293m) and Council Tax at the 2018/19 level (-£57.693m).
- 8.25 With the potential overall cost of the budget package being consulted on in the region of £78.514m, this leaves a potential gap of around £2.528m. Members can choose to adopt any or all of the following approaches in order to bridge the remaining gap:
- an increase in Council Tax;
  - an appropriate contribution from the Council's revenue reserves, bearing in mind the Medium Term financial position;
  - identifying further expenditure reductions.

## 9 RESERVES

- 9.1 The Council has an estimated £6.5m available in General Reserves at 31 March 2019, assuming that spending in the current year matches the approved budget. Details are contained in Table 6.

Table 6: General Reserves as at 31 March 2019

	£m
General Fund	9.0
Planned use in 2018/19	(2.5)
<b>Estimated Balance as at 31 March 2019</b>	<b>6.5</b>

- 9.2 The Council has, in the past, planned on maintaining a minimum prudential balance of £4m. This assessment is based on the financial risks which face the Council and the Director of Finance considers these in the February report to the Executive at which a final decision on the use of balances can be taken, taking account of the financial position likely to face the Council over the next five years.

## 10 CONCLUSION

- 10.1 The Council's constitution requires a consultation period of at least six week on the draft budget proposals. In this context, it is inevitable that, of the broad range of options proposed for consultation, not all will necessarily be included in the final budget package. It is also likely that some further issues with a financial impact will arise between now and February. When the Final Settlement is known, the Executive can consider the prudent use of revenue balances to support expenditure in line with the overall medium term financial strategy, along with any further expenditure reductions.
- 10.2 It is suggested, therefore, that the normal process whereby the Overview & Scrutiny Commission reviews the overall budget package and determines whether any specific issues should be considered further by the Overview and Scrutiny Panels at their meetings in January, is followed. The proposals will also be placed on the Council's website for public consultation.

- 10.3 All comments from the Overview & Scrutiny Commission, Overview and Scrutiny Panels and all others will then be submitted to the Executive on 12 February 2019. This will allow the Executive to determine the final budget package and recommend the appropriate Council Tax level to the Council on 27 February 2019.

## **11 BUDGET MONITORING 2018/19- VIREMENT REQUEST**

- 11.1 A virement is the transfer of resources between two budgets but it does not increase the overall budget approved by the Council. Financial Regulations require formal approval by the Executive of any virement between £0.050m and £0.100m and of virements between directorates of any amount. Full Council approval is required for virements over £0.100m. During 2018/19 a number of virements have been identified which require the approval of the Executive. These have been previously reported to the Corporate Management Team which recommends them to the Executive for approval. They have been included in the Quarterly Service Reports. Details of virements between directorates are set out in Annexe F. Details of internal virements exceeding £0.050m are set out in Annexe G.

## **12 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 12.1 Nothing to add to the report.

### Director of Finance

- 12.2 The financial implications of this report are included in the supporting information.

### Equalities Impact Assessment

- 12.3 The Council's final budget proposals will potentially impact on all areas of the community. A detailed consultation process is planned in order to provide individuals and groups with the opportunity to comment on the draft proposals. This will ensure that in making final recommendations, the Executive can be made aware of the views of a broad section of residents and service users. A number of the budget proposals require specific equality impact assessments to be carried out and draft versions of these are attached in Annexe H. Consultation with equalities groups that are likely to be affected by the proposal is part of the assessment process.

### Strategic Risk Management Issues

- 12.4 A sum of £1.5m is currently included in the draft proposals to meet the costs of unpredictable or unforeseen items that would represent in year budget risks. The Executive will need to make a judgement on the level of Contingency at its meeting in February.
- 12.5 The Director of Finance, as the Council's Chief Finance Officer (Section 151 Officer), must formally certify that the budget is sound. This will involve identifying and assessing the key risk areas in the budget to ensure the robustness of estimates and ensuring that appropriate arrangements are in place to manage those risks, including maintaining an appropriate level of reserves and Contingency. This formalises work that is normally undertaken each year during the budget preparation stages and in

monthly monitoring after the budget is agreed. The Director of Finance will report his findings in February, when the final budget package is recommended for approval.

### 13 CONSULTATION

#### Principal Groups Consulted

- 13.1 The Overview & Scrutiny Commission will be consulted on the budget proposals and may also choose to direct specific issues to individual overview and scrutiny panels. Targeted consultation exercises will be undertaken with business rate payers, the Schools Forum, town and parish councils and voluntary organisations. Comments and views will be sought on both the overall budget package and on the detailed budget proposals. In addition, this report and all the supporting information are publicly available to any individual or group who wish to comment on any proposal included within it. To facilitate this, the full budget package will be placed on the Council's web site at <http://consult.bracknell-forest.gov.uk/portal>. There will also be a dedicated mailbox to collect comments.
- 13.2 The timetable for the approval of the 2019/20 Budget is as follows.

Executive agree proposals as basis for consultation	18 December 2018
Consultation period	19 December 2018 - 29 January 2019
Executive considers representations made and recommends budget.	12 February 2019
Council considers Executive budget proposals	27 February 2019

#### Background Papers

None

#### Contacts for further information

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## Commitment Budget excluding Transformation Savings 2019/20 to 2021/22

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Non Departmental / Council Wide</b>				
Approved Budget	3,330	5,503	4,783	5,513
Minimum Revenue Provision		405	400	400
Increase in employers Pension Fund contributions		330	330	400
Interest on External Borrowing		-1,500		
2018/19 Capital Programme - (Full Year Effect) Interest		24		
2018/19 Use of Balances (Full Year Effect) - Interest		31		
Lead Local Flood Authority Grant		-10		
Net Inter Departmental Virements	2173			
<b>Non Departmental / Council Wide Adjusted Budget</b>	<b>5,503</b>	<b>4,783</b>	<b>5,513</b>	<b>6,313</b>
<b>Change in commitment budget</b>		<b>-720</b>	<b>730</b>	<b>800</b>

## Commitment Budget - Transformation Savings 2019/20 to 2021/22

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Non Departmental / Council Wide</b>					
Commercial Property Investment Strategy	-1,000	-1,000	-750		
Council Wide Support Services	-500	-311			
Council Wide Support Services - Business Intelligence		-29	-22		
<b>Non Departmental / Council Wide Total</b>	<b>-1,500</b>	<b>-1,340</b>	<b>-772</b>	<b>0</b>	<b>0</b>
<b>Overall Change in Commitment Budget</b>			<b>-1,492</b>	<b>730</b>	<b>800</b>
<b>Total Budget including Transformation Savings</b>			<b>4,011</b>	<b>4,741</b>	<b>5,541</b>

## Description of Commitment Budget Items for 2019/20 to 2021/22

Directorate and Item	Description
<b>Non Departmental / Council Wide</b>	
Minimum Revenue Provision	The change in the principal repayment on borrowing used to finance capital expenditure.
Increase in employers Pension Fund contributions	Increase in payments required to meet prior year deficits.
Interest on External Borrowing	Interest on borrowing required to finance the Council's Capital Programme. Reflects the impact of prior year under spends.
2018/19 capital programme (full year effect) -Interest	The full year effect of the additional interest arising from the funding of the 2018/19 capital programme.
2018/19 use of balances (full year effect) -Interest	The full year effect of the additional interest arising from the use of balances in 2018/19.
Lead Local Flood Authority Grant	Indicative figures for the grant receivable in 2019/20
<b>TRANSFORMATION RELATED</b>	
<b>Non Departmental / Council Wide</b>	
Commercial Property Investment Strategy	Additional income from the investment in Commercial Property.
Council Wide Support Services - Business Intelligence	Savings arising from the review of the Business Intelligence function across the Council.

## CENTRAL

Description	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Organisational Development</b>  A full time Apprenticeship Manager is required in order to manage the arrangements surrounding the apprenticeship levy effectively, align training needs to the Organisational Development strategy and utilise the levy payment to the maximum.	50		
<b>CENTRAL TOTAL</b>	50	0	0

## CENTRAL

Description Impact	2019/20 £'000	2020/21 £'000	2021/22 £'000
<p><b>Finance – Audit</b></p> <p>A reduction in the number of internal audit days delivered by the Council's external providers (-£20,000).</p> <p>External audit fees continue to reduce in line with the tendering process undertaken previously (-£5,000).</p>	-25		
<p><b>Human Resources</b></p> <p>Reduction in the equipment purchase (-£2,500) and printing (-£2,000) budgets, both of which have been underspent previously.</p>	-4		
<p><b>Human Resources</b></p> <p>Whilst there is a current in-year pressure on the long service awards/staff rewards scheme, this is due to a peak year and also the dual awards schemes. In future years, the new scheme will create a cost saving.</p>	-2		
<b>CENTRAL TOTAL</b>	<b>-31</b>	<b>0</b>	<b>0</b>

## COUNCIL WIDE

Description Impact	2019/20 £'000	2020/21 £'000	2021/22 £'000
<p><b>Departmental Supplies &amp; Services</b></p> <p>The following budgets have been centralised following the closure of Easthampstead House and the transfer of staff to Time Square: postage, stationery, refreshments and mobile telephones. As a result of the centralisation and previous underspends, a saving has been identified.</p>	-64		
<p><b>Voluntary Sector Grants</b></p> <p>The Council provides grant support to some voluntary sector organisations that are also able to generate income from charges to their service users. Recognising this, it is proposed to implement the previously agreed tapering of grant support to Shopmobility (£9,850) following an eightfold increase in visitors to the town centre, and to reduce the grant to Keep Mobile (£10,000) and seek to agree further phased reductions over time.</p>	-20		
<b>COUNCIL WIDE TOTAL</b>	<b>-84</b>	<b>0</b>	<b>0</b>

**TO: THE EXECUTIVE  
18 DECEMBER 2018**

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**CAPITAL PROGRAMME 2019/2020 - 2021/2022  
(Borough Treasurer/Chief Executive)**

**1 PURPOSE OF DECISION**

- 1.1 Under the Council's constitution, the Executive is required to consult on its detailed budget proposals with the Council's Overview & Scrutiny Commission and any other interested parties or individuals for a period of at least six weeks. This report summarises the current position on the Council's Capital Programme budget preparations for 2019/20.
- 1.2 This report draws together each department's proposals so that the Executive can agree a draft capital programme for 2019/20-2021/22 as the basis for consultation. In compiling the draft programme the main focus is inevitably on determining the requirements for 2019/20, although future year's schemes do also form an important part of the programme.
- 1.3 The financial implications of the recommendations in this report are reflected in the subsequent report on the Council's draft revenue budget. Any revisions to the proposals put forward by each service would also need to be reflected in that report which will also be published as the basis for consultation following the Executive's meeting.

**2 RECOMMENDATIONS**

**That the Executive:**

- 2.1 **Approves, for consultation, a Council funded capital programme of £13.751m for 2019/20 as set out in paragraph 5.17 and summarised in Annex A, including the new schemes listed in Annexes B – E.**
- 2.2 **Approves, for consultation, the inclusion of £11.436m of expenditure to be externally funded as outlined in paragraph 5.17.**
- 2.3 **Approves, for consultation, the inclusion of £1.025m of expenditure to be funded from S106 as outlined in paragraph 5.18.**
- 2.4 **Approves, for consultation, the inclusion of an additional budget of £1m for Invest-to-Save schemes.**
- 2.5 **Approves a supplementary capital approval in 2018/19 of £0.25m for the relocation of the Education Centre to the Open Learning Centre as set out in para 5.20, funded from the capital receipt generated from the disposal of Easthampstead Park Conference Centre.**
- 2.6 **Approves the granting of a loan of £68,000 to the South Hill Park Trust on the terms set on in paragraph 5.21 to help fund improvement works that will enable further income generating activities and help the Trust secure its medium-term financial position.**

- 2.7 **Approve the virements set out in Annex F to reflect the changed needs and priorities within the Schools Capital Programme.**
- 2.8 **Approves the Capital Strategy as outlined in para 5.22 and attached in Annex G**

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1 The reasons for the recommendations are set out in the report.

### **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The alternative options are considered in the report.

### **5 SUPPORTING INFORMATION**

#### **Capital Resources**

- 5.1 Each year the Council agrees a programme of capital schemes. In the past these schemes have been funded from these main sources:
- the Council's capital receipts
  - Government Grants
  - other external contributions
  - internal and external borrowing
- 5.2 The Council's total usable capital receipts at 31<sup>st</sup> March 2018 are zero as all receipts have been applied to fund prior capital investment – all receipts during 2018/19 will be used to finance the 2018/19 Capital Programme. The Council is partly reliant on capital receipts and other contributions to fund its capital programme, although interest generated from capital receipts can also help support the revenue budget in the short term – however with investment rates at historic lows it makes more economic sense to offset borrowing.
- 5.3 The proposed capital programme for 2019/20 has been developed, therefore, on the assumption that it will be funded by a combination of Government grants, other external contributions and borrowing in addition to capital receipts. Community Infrastructure Levy (CIL) contributions and some small miscellaneous property sales should enable £5m of the capital programme to be funded from receipts. Internal resources will be used in the first instance and borrowing from external sources (e.g. the PWLB) will be used only when necessary. The financing costs associated with the General Fund Capital Programme have been provided for in the Council's revenue budget plans which also appear on tonight's agenda.
- #### **New Schemes**
- 5.4 Within the general financial framework outlined above, Service Departments have considered new schemes for inclusion within the Council's Capital Programme for 2019/20 – 2021/22. Given that both capital and revenue resources are under pressure, each Department has evaluated and prioritised proposed schemes into broad categories in line with the Council's agreed Asset Management Plan approach. Having done this, only the very highest priority schemes and programmes are being recommended for inclusion in the Capital Programme.

### Other Unavoidable & Committed schemes

- 5.5 This category covers schemes which must proceed to ensure that the Council is not left open to legal sanction and includes items relating to health and safety issues, new legislation etc. Committed schemes also include those that have been started as part of the 2018/19 Capital Programme. Also included within this category are those schemes that were previously funded from the General Fund Revenue Account, but which by their nature could be legitimately capitalised, thereby reducing pressure on the revenue budget. Schemes in this category form the first call on the available capital resources.

### Maintenance (Improvements and capitalised repairs)

- 5.6 A review has been made of the condition of the Council's property assets to arrive at an estimate of the outstanding maintenance works required. An assessment is made of the state of each building element and its repair priority with a condition rating and repair urgency as follows.

<b>Definition of Condition Categories:</b>	
A: Good – Performing as intended and operating efficiently.	
B: Satisfactory – Performing as intended but showing minor deterioration.	
C: Poor – Showing major defects and/or not operating as intended.	
D: Bad – Life expired and/or serious risk of imminent failure.	

  

<b>Priority:</b>	
1	Urgent works that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of the occupants and/or remedy a serious breach of legislation.
2	Essential work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health & safety of the occupants and/or a minor breach of the legislation.
3	Desirable work required within 3 to 5 years that will prevent deterioration of the fabric or services and/or address a low risk to the health & safety of the occupants and/or a minor breach of the legislation.
4	Long-term work required beyond a period of 5 years that will prevent deterioration of the fabric or services.

- 5.7 The figures below are based on the information held in the council's property management system. They have been adjusted to exclude those works that are already budgeted for within existing 2018/19 schools and corporate planned maintenance programmes.

The priorities can be broken down as follows:

<b>Maintenance Backlog 2019/20</b>			
		£	£
		(000)	(000)
Schools	Priority 1C & 1D	3,105	
	Priority 2C & 2D	16,042	
	Lower Priorities	30,530	49,677
Corporate Properties	Priority 1C & 1D	1,856	



	Priority 2C & 2D	3,964	
	Lower Priorities	6,131	11,951
Total		<u>61,628</u>	

5.8 The overall maintenance liability has increased from £50.4m in 2018/19 to £61.6m. However, the increase is seen in the Schools portfolio and these figures are currently being reviewed and further testing carried out. There have been notable inflationary increases in the construction industry over the last few years. As the Council is now running a five year programme of condition surveys, some of the older data was quickly becoming out-of-date and, as a consequence, adjustments have been applied to that data to bring it up to date. Secondly, the nature of the condition surveys has evolved such that more emphasis is now given to predicting the need for works further in advance than was previously the case. This is partly because of the five year programme approach mentioned above and partly because the asset management package that is now used to manage this data lends itself to better recording. What this means is that much of the value attributed to lower priority works is for things that are likely to be required over the next several years. The exact time span varies from one item to the next. Because of the five year survey cycle, it has taken a while for the impact of these changes to manifest themselves. Finally, some buildings are deteriorating faster than they can be fixed with the funds that are typically available. In some cases, this means that the work required becomes more expensive the longer it is left unattended. In determining the amount of funding to be made available for maintenance, a balance needs to be struck between short-term affordability and longer-term costs that will arise if assets are allowed to deteriorate significantly.

#### **Schools**

5.9 The Schools Maintenance Programme is funded from the Capital Maintenance grant allocation from the Department for Education (DfE). Identified planned maintenance for 2019/20 will be drawn from building condition surveys carried out by the Council's Managing Partner Atkins Ltd and there is approximately £3.105m of Priority 1 (Urgent) planned maintenance works in schools on the current building condition surveys.

5.10 A Schools Planned Works Programme of £1.499m is being put forward based on the level of grant expected to be received from DfE. This includes Planned Maintenance, Fire Safety, Asbestos and Legionella works which is normally funded from DfE Schools Capital Maintenance Grant. The programme of works will be matched to the available budget.

#### **Non-schools**

5.11 In line with the policy adopted last year the Asset Management Group has considered only those works that fall within categories 1C and 1D. Given the financial constraints on both the revenue and capital budgets an allocation of £1.050m is recommended to address the most pressing 1C & 1D priorities. From an initial analysis of the work required it is clear that some works, whilst urgent, cannot be legitimately capitalised and must be met from a revenue budget. An allowance of £200,000 is available in the 2019/20 Revenue Budget proposals to meet these liabilities.

5.12 The implications of failing to maintain Council buildings and to address the backlog will be a significant issue for the Council over the coming years and efforts will be focussed on ensuring that the highest priority items are tackled first, that efficiencies are maximised in the procurement of works and that maintenance which will result in energy efficiencies are undertaken through the invest-to-save programme.

### Rolling programmes

- 5.13 These programmes cover more than one year and give a degree of certainty for forward planning schemes to improve service delivery. They make an important contribution towards the Council's established Asset Management Plans.

### Other Desirable Schemes

- 5.14 In addition to the schemes identified in the above categories, each service has requested funding for other high priority schemes that meet the needs and objectives of their service. The net cost of schemes which attract partial external funding are included in the schemes put forward.

### Invest-To-Save Schemes

- 5.15 These are schemes where the additional revenue income or savings arising from their implementation exceeds the Council's borrowing costs. In the past the Council has allocated £1m per annum to fund potential Invest-to-Save (ITS) schemes that may present themselves during the year. Any unspent budget is not carried forward and as such a request is made each year to enable new schemes (below £0.4m) to be brought forward and approved by Corporate Management Team. There have been no schemes approved to date however a number of schemes are being reviewed and may come forward in the current financial year.

### Capital Programme 2019/20 – 2021/22

- 5.16 A summary of the cost of new schemes proposed by Departments is set out in the table below and in Annex A. A detailed list of suggested schemes within the draft capital programme, together with a brief description of each project, for each service is included in Annexes B – E.
- 5.17 Total Council funding for schemes amounts to £13.751m. Of this total, schemes amounting to £7.7m have been committed in previous years and funding allowed for – the largest of these being the Heathlands project. As such new expenditure that will need to be met from the council's available funding sources amounts to £6.051m in 2019/20.

<b>Capital Programme 2019/20-2021/22</b>				
<b>Annex</b>	<b>Service Area</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
B	Delivery	6,224	3,360	3,360
C	People	14,523	0	0
D	Central Directorates	4,140	1,120	920
E	Non Departmental	300	300	300
	<b>Total Capital Programme</b>	<b>25,187</b>	<b>4,780</b>	<b>4,580</b>
	less Externally Funded schemes	11,436	2,445	2,445
	<b>Council Funded Programme</b>	<b>13,751</b>	<b>2,335</b>	<b>2,135</b>
	Less Previously Committed schemes	7,700	0	0
	<b>Total request for Council funding</b>	<b>6,051</b>	<b>2,335</b>	<b>2,135</b>

## **Externally Funded Schemes**

- 5.18 A number of external funding sources are also available to fund schemes within the capital programme. External support has been identified from two main sources:

### **Government Grants**

A number of capital schemes attract specific grants. It is proposed that all such schemes should be included in the capital programme at the level of external funding that is available.

A significant element of the grant-funded capital programme relates to the planned investment in Schools. The schools investment programme included in this report reflects the highest priority schemes identified by the Department and the Education Capital Programme Board. However as a result in a change to the capital funding formula and the perceived relative need for school places in Bracknell compared to other areas of the country, the Council has received no Basic Needs Grant (BNG) in 2018/19 and is expecting a relatively small allocation in 2019/20 of £0.735m.

However the Council has clear need for investment in school places in the Borough and has identified a number of schemes that require funding in the coming years and are set out in Annex B. The available BNG will be applied to fund these schemes and the shortfall will be met from Council funding.

A second key constituent of capital grant funding relates to the Highway Maintenance and the Integrated Transport Block totalling £1.92m for 2019/20. A matched funding bid has also been accepted for the work on Downshire Way – this will attract grant of £2.29m to be matched with £0.2m of Council funding and developer contributions.

### **Section 106 (£1.025m)**

Each year the Council enters into a number of agreements under Section 106 of the Town & Country Planning Act 1990 by which developers make a contribution towards the cost of providing facilities and infrastructure that may be required as a result of their development. Usually the monies are given for work in a particular area and/or for specific projects

Officers have identified a number of schemes that could be funded from Section 106 funds in 2019/20, where funding becomes available. These are summarised below

<b>Department</b>	<b>Schemes</b>	<b>Budget</b>
		<i>£000</i>
Central Directorates	Local Transport Plan	500
Delivery	Potential Leisure & Culture	125
Central Directorates	SANGS	150
People	Various School Schemes	250
	<b>Total</b>	1,025

### **On-going Revenue Costs**

- 5.19 Schemes may have associated on-going revenue costs and tend to become payable in the year after implementation. As such will be included within the Council's Commitment Budget for 2019/20. These total £12,000 and relate to the licence and maintenance contracts associated with the new IT hardware investment.

### **Supplementary Capital Approval 2018/19 – Relocation of Education Centre**

- 5.20 The Education Centre at Easthampstead Park Conference Centre provides a base for specialist advisors alongside a venue for meetings to both internal and external customers and a resource centre for schools offering books and learning resources. The lease disposal of the Conference Centre has necessitated the relocation of this service to the Open Learning Centre (OLC) by early April 2019. In order to facilitate this, it will be necessary to refurbish areas of the OLC and to invest in IT and furniture. Additional parking will also be needed to accommodate the increased levels of activity and meetings. The cost of these work will be £0.25m, which will be funded as a commitment against the capital receipt received from the sale of the Conference Centre. The Executive is asked to release this funding during the current year to enable the timetable to vacate the conference centre to be met. Alongside this work, an upgrade to the cafeteria and kitchens at the OLC is planned to create a learning kitchen to teach pupils with special needs life skills they need to be independent in adulthood and which can support them in employment. This work will be funded from the Special Provision Capital Fund grant..

### **Supplementary Capital Approval 2018/19 – Loan to South Hill Park Trust**

- 5.21 The Council's Transformation review of the Arts resulted in the level of grant provided by the Council to SHP reducing gradually from 2017/18 to 2019/20. In order to assist the Trust in generating additional income from the facility, the Council approved in its 2017/18 capital programme funding for investment in the facility totalling £190,000. This would enable the final grant reduction of £75,000 in 2019/20 included in the Commitment Budget to be accommodated, recognising the potential to generate additional income. A further sum of £68,000 is now required for these improvement works, which the Trust has requested as a loan from the Council as soon as possible in order that the works can be completed. It is proposed that the Executive agrees to this, based on equal repayments at 6 monthly intervals over 20 years at nil interest rate. The Trust has also requested that the Council continues its historic practice of funding essential capital works required to the building for the time being, in order to enable it to build up sufficient reserves over the coming years to be able to afford them as they arise. No specific sum has been identified at this time for such works.

### **Capital Strategy**

- 5.22 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
  - an overview of how the associated risk is managed
  - the implications for future financial sustainability

- 5.23 The aim of this capital strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. This is attached in Annex G

### **Funding Options**

- 5.24 The Council introduced CIL in April 2015. It is difficult to estimate the potential amount of CIL that will be generated as this will depend on the delivery of additional housing development in the Borough, which is to a large extent outside of the control of the authority. However based on the most recent housing trajectory estimates and knowledge of development schemes that will come forward in the next 18 months, it is estimated that £4m is an appropriate assumption for 2019/20.

- 5.25 The proposed capital programme for 2019/20 has been developed, therefore, on the assumption that it will be funded by a combination of approximately £5m of capital receipts (CIL and other miscellaneous property disposals), Government grants, other external contributions and borrowing. The financing costs associated with the Capital Programme have been provided for in the Council's revenue budget plans.
- 5.26 Any capital expenditure approved over and above capital receipts and external contributions will require the Council to borrow externally. The timing of this will depend on the level of surplus cash held by the Council which will be used in the first instance to fund the Capital Programme commitments. Any external borrowing will require a sum to be set aside Minimum Revenue Provision (MRP) in addition to an interest charge depending on the maturity of the loan.
- 5.27 Current long-term borrowing rates are approximately 2.75% and as such the programme as it stands will have a revenue impact of £0.014m in 2019/20 and a full –year ongoing impact of £0.029m in future years with regards to interest. The MRP charge reflects the life of individual assets that are being funded – the charge is not payable until the year after the assets come into being. The MRP charge in relation to the capital programme for 2019/20 is estimated to be £0.4m and will be charged in 2020/21.
- 5.28 Following the introduction of the Prudential Borrowing regime local authorities are able to determine the level of their own capital expenditure with regard only to affordability on the revenue account. In practice this represents the amount of borrowing they can afford to finance, and will necessitate taking a medium-term view of revenue income streams and capital investment needs.
- 5.29 To achieve its aim of ensuring that capital investment plans are affordable, prudent and sustainable, the Local Government Act requires all local authorities to set and keep under review a series of prudential indicators included in the CIPFA Prudential Code for Capital Finance in Local Authorities. The Capital Programme recommended in this report can be sustained and is within the prudential guidelines. Full Council will need to agree the prudential indicators for 2019/20 to 2021/22 in February 2019, alongside its consideration of the specific budget proposals for 2019/20 and the Council's medium-term financial prospects.
- 5.30 If any amendments are made to the capital programme, the revenue consequences will need to be adjusted accordingly. Executive Members will therefore need to consider the impact of the capital programme as part of the final revenue budget decisions. Members will need to carefully balance the level of the Capital Programme in future years against other revenue budget pressures and a thorough review, including the prioritisation of those schemes planned for 2020/21 onwards, will need to be undertaken during next summer.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 The authorisation for incurring capital expenditure by local authorities is contained in the legislation covering the service areas. Controls on capital expenditure are contained in the Local Government Act 2003 and regulations made thereunder.

### Borough Treasurer

- 6.2 The financial implications are contained within the report.

### Equalities Impact Assessment

6.3 The Council's final budget proposals will potentially impact on all areas of the community. A detailed consultation process is planned in order to provide individuals and groups with the opportunity to comment on the draft proposals. This will ensure that in making final recommendations, the Executive can be made aware of the views of a broad section of residents and service users. Where necessary, impact assessments on specific schemes within the capital programme will be undertaken before work commences.

#### Strategic Risk Management Issues

6.4 The most significant risk facing the Council is the impact of the capital programme on the revenue budget. The scale of the Council's Capital Programme for 2019/20 will impact upon the revenue budget and will itself be subject to consultation over the coming weeks. All new spending on services will need to be funded from new capital receipts or borrowing. The generation of capital receipts in future years may mitigate the impact on the revenue budget, but as the timing and scale of these receipts is uncertain their impact is unlikely to be significant.

6.5 There are also a range of risks that are common to all capital projects which include:

- Tender prices exceeding the budget
- Planning issues and potential delays
- Uncertainty of external funding
- Building delays due to unavailability of materials or inclement weather
- Availability of staff with appropriate skills to implement schemes

6.6 These can be managed through the use of appropriate professional officers and following best practice in project management techniques. The report also identifies the risk associated with the shortfall in maintenance expenditure compared to that identified by the latest condition surveys. With only those highest priorities receiving funding in 2019/20, there will be a further build up in the maintenance backlog and a risk that the deterioration in Council assets will hamper the ability to deliver good services.

## **7 CONSULTATION**

7.1 The Overview & Scrutiny Commission will be consulted on the budget proposals and may also choose to direct specific issues to individual overview and scrutiny panels. Targeted consultation exercises will be undertaken with business rate payers, the Schools Forum, town and parish councils and voluntary organisations. Comments and views will be sought on both the overall budget package and on the detailed budget proposals. In addition, this report and all the supporting information are publicly available to any individual or group who wish to comment on any proposal included within it. To facilitate this, the full budget package will be placed on the Council's web site at <http://consult.bracknell-forest.gov.uk/portal>. There will also be a dedicated mailbox to collect comments.

7.2 The timetable for the approval of the 2019/20 Budget is as follows.

Executive agree proposals as basis for consultation	18 December 2018
Consultation period	19 December 2018 - 30 January 2019
Executive considers representations made and recommends budget.	12 February 2019
Council considers Executive budget proposals	27 February 2019

Background Papers

None

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**CAPITAL PROGRAMME - ALL DEPARTMENTS**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Delivery</b>	6,224	3,360	3,360	12,944
<b>People</b>	14,523	0	0	14,523
<b>Central Directorates</b>	4,140	1,120	920	6,180
<b>Non-Departmental</b>	300	300	300	900
<b>Total Capital Programme</b>	<b><u>25,187</u></b>	<b><u>4,780</u></b>	<b><u>4,580</u></b>	<b><u>34,547</u></b>
<b>External Funding</b>	10,701	2,445	2,445	15,591
<b>DfE Basic Needs Grant - Schools</b>	735	0	0	735
<b>Council Funding</b>	<b><u>13,751</u></b>	<b><u>2,335</u></b>	<b><u>2,135</u></b>	<b><u>18,221</u></b>



**CAPITAL PROGRAMME - NON-DEPARTMENTAL**

	2019/20 £000	2020/21 £000	2021/22 £000	TOTAL £000
<b>Committed</b>				
Capitalisation of Project Management costs	300	300	300	900
	<u>300</u>	<u>300</u>	<u>300</u>	<u>900</u>
<b>Unavoidable</b>				
No Schemes	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Maintenance</b>				
See Council Wide	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Rolling Programme / Other Desirable</b>				
No Schemes	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL REQUEST FOR COUNCIL FUNDING</b>	<u>300</u>	<u>300</u>	<u>300</u>	<u>900</u>
<b>External Funding</b>				
No Schemes	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL EXTERNAL FUNDING</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL CAPITAL PROGRAMME</b>	<u>300</u>	<u>300</u>	<u>300</u>	<u>900</u>

**NON-DEPARTMENTAL**  
**2019/20 Capital Programme Bids**

**No New Funding Bids**