

TO: SCHOOLS FORUM
DATE 16 JANUARY 2014

LOCAL AUTHORITY BUDGET PROPOSALS FOR 2014/15
(Director of Children, Young People & Learning)

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 2014/15.
- 1.2 At the time the Executive agenda was published the Provisional Local Government Financial Settlement had not been announced and is not expected until early January 2014. Therefore, in the absence of the Provisional Settlement, the report is based on a number of assumptions regarding government funding.
- 1.3 All comments received on these budget proposals will be submitted to the Executive on 11 February along with details of the final Financial Settlement. This will allow the Executive to determine its final budget package and recommend the appropriate Council Tax level to Council, who will formally approve the 2014/15 budget and Council Tax on 26 February 2014.
- 1.4 Whilst setting out the key budget issues facing the Council next year, his report to the Schools Forum focuses on the impact expected on the Children, Young People and Learning Department.

2 RECOMMENDATIONS

- 2.1 **That the Schools Forum comments on the 2014/15 budget proposals of the Executive for the Children, Young People and Learning Department in respect of:**
- i. **The revenue budget (Annexes B and C), and**
 - ii. **The capital programme (Annex D).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The Executive seeks the views of the Schools Forum as an interested party on the 2014/15 budget proposals.

4 ALTERNATIVE OPTIONS CONSIDERED

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

5 SUPPORTING INFORMATION

Revenue Budget

Commitment budget 2014/15 – 2016/17

- 5.1 Initial preparations for the 2014/15 budget have focussed on the Council's Commitment Budget for 2014/15 – 2016/17. 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 2013/14 budget was set.
- 5.2 The Commitment Budget was approved by the Executive in October and is summarised in Table 1. Table 1 shows that base expenditure (excluding schools) is planned to decrease by £1.288m to £83.951m next year, before consideration is given to allowances for inflation and the budget proposals identified by individual Departments in 2014/15.

Table 1: Summary Commitment Budget 2014/15-2016/17

	Planned Expenditure		
	2014/15 £000	2015/16 £000	2016/17 £000
Base Budget	85,239	83,951	84,143
<i>Movements in Year:</i>			
Chief Executive / Corporate Services	112	56	-70
Children, Young People and Learning (excluding schools)	-160	-5	-30
Adult Social Care, Health and Housing	-327	-10	0
Environment, Culture & Communities	97	151	72
Non Departmental / Common	-1,010	0	775
<i>Total Movements</i>	-1,288	192	747
Adjusted Base	83,951	84,143	84,890

- 5.3 The most significant changes to the Commitment Budget include:
- The removal of one off items included in the 2013/14 budget, in particular the revenue contribution to the works at Time Square (-£1.100m), the Members' Initiative Fund (-£0.420m) and the additional investment in dementia and long term conditions resulting from increased demand for rehabilitation and social care support (-£0.183m).
 - The revenue impact of the 2013/14 capital programme, including IT maintenance and support costs (£0.071m) and the minimum revenue provision (£0.262m), representing the annual amount of the capital investment repaid from revenue.
 - An increase in the employer's contribution to the pension fund arising from the inclusion of non contractual overtime and additional hours for part time staff within pensionable pay (£0.180m) in accordance with the national scheme.

Provisional Local Government Finance Settlement 2014/15

National Perspective

- 5.4 Alongside the 2013/14 Local Government Financial Settlement announced in February 2013, the Government published a Provisional 2014/15 Settlement for local authorities. As must be expected, for such an early Provisional Settlement, this did not contain a great amount of detail but gave Councils an indication of the likely level of funding to be used for planning purposes.
- 5.5 Funding from central government is received through Revenue Support Grant (RSG) and Specific Grants. The provisional amount of RSG announced in February 2013 for 2014/15 showed a fall from £20.890m to £17.804m, representing a 14% reduction.
- 5.6 In July 2013 the Government published a consultation paper on potential changes to both the total amount of funding assumed in the Provisional Settlement and a number of technical changes to the allocation methodologies. The outcome of this exercise is expected to be known in January 2014 as the Government have indicated that the 2014/15 Provisional Settlement will not be published until early in the New Year. Further reductions may, therefore, result from the consultation proposals outlined by the Government in the summer.
- 5.7 The level of Specific Grants will be announced as part of the 2014/15 Provisional Settlement. The budget proposals in this report assume that these Grants will be in line with that received in 2013/14; however this too is likely to change in the Final Settlement when further detail is provided by the various government departments. Public Health is the most significant specific grant received by the Council. The Council has previously been notified of ring fenced grant allocations of £2.772m in 2013/14 and £3.049m in 2014/15. Announcements suggest that the ring fencing of public health grant will also continue into 2015/16, although no indication of the likely grant amount has been provided at this stage.
- 5.8 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 change each year due to inflationary increases (set by central government) and local growth or decline as local businesses and economic conditions expand or contract.
- 5.9 The Government sets a baseline level of funding against which any growth or reduction is shared between local and central government. Taking into account the baseline funding level published in February 2013 and factoring in local circumstances, the budget projections assume income of £15.155m reflecting local growth of £0.068m. There is a risk associated with these projections due to the near-term impact of the Town Centre regeneration and changes in the local economic conditions; however officers monitor total yield, revaluations, changes-in-circumstances, appeals and refunds on a monthly basis.
- 5.10 Furthermore, a significant revision was made mid-year to the Council's Business Rates local list with the addition of a large business rate payer. However, given the uncertainties surrounding the permanent inclusion of this rate-payer and any related impact on the Council's grant determination it is considered prudent to await the outcome of the Financial Settlement before reflecting the financial impact of this potentially one off event.

Unrestricted

- 5.11 Based on the number of additional properties that have been built and liable for Council Tax in the last 12 months to October, the budget proposals assume an additional New Home Bonus (NHB) grant of £0.500m. This excludes a share of the NHB Adjustment Grant (NHBAG) that is top-sliced from the local government overall funding total to ensure there is sufficient funding to meet all the NHB allocations. Any surplus is returned to local-authorities on a pro-rata basis. The actual figure will be announced as part of the Provisional Settlement, but the current model assumes that the level of NHBAG received in 2013/14 will be continued in 2014/15. Plans to further top slice the New Homes Bonus in order to provide funding to Local Enterprise Partnerships, in line with the Heseltine Review, will not come into effect until 2015/16.

Council Tax

- 5.12 Following the acceptance of Council Tax Freeze Grant and the resultant zero increase for the last three years, Council Tax at present levels will generate total income of £44.983m in 2014/15. The Local Council Tax Benefit Support Scheme is treated as a discount i.e. a reduction in the calculation of the Council Tax Base. The latest information on the take-up of Council Tax support indicates that it will be significantly less than that budgeted for in 2013/14. Based on the latest forecast, Council Tax income will increase by £0.593m as a result in 2014/15. In addition a further £0.364m will be generated from an increase in the Tax Base primarily arising from the occupation of new properties during 2014/15. Based on these provisional figures, Council Tax income is therefore expected to be £45.940m for 2014/15.
- 5.13 The Government has again prioritised keeping Council Tax increases to the minimum possible next year. To support this aim, the Department for Communities and Local Government has announced that it will give Councils who agree to freeze or reduce Council Tax in 2014/15 a grant equivalent to a 1% increase in Council Tax. This grant will be provided until at least 2015/16. Any support beyond that date will be announced as part of the 2016 Spending Round following the General Election.
- 5.14 The Executive intends to accept the Government's offer to work in partnership with local authorities to protect council tax payers with a council tax freeze, thereby passing on the benefit to the council tax payers for a fourth consecutive year. The working assumption, upon which the proposals in this report are based, therefore, is that there will be no increase in Council Tax and that the Council will receive additional grant from Central Government of £0.501m.
- 5.15 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.

Budget Proposals for 2014/15

Service pressures and Developments

- 5.16 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 self evidently severely restricted. Nevertheless, it is important to retain a clear focus to ensure that the Council continues to protect and, wherever possible, improve services and to invest in the Borough, focussing on protecting front line services and delivering the Council's Medium Term Objectives. In preparing the 2014/15 draft budget proposals each department has evaluated the potential pressures on its services and these are summarised below in Table 2:

Table 2: Service Pressures/Development

Department	£'000
Chief Executive / Corporate Services	134
Children, Young People and Learning (excluding schools)	790
Adult Social Care, Health and Housing	890
Environment, Culture & Communities	276
Total Pressures/Developments	2,090

- 5.17 Many of the pressures are simply unavoidable and respond only to changing demographic trends, particularly as they principally relate to increases in children and young people in care and increases in client numbers within Adult Social Care. They do, however, also support the Council's six overarching priorities and medium term objectives.
- 5.18 The Children Young People and Learning proposals include a substantial pressure to cover the care and accommodation costs of children currently being looked after where numbers have increased, together with externally commissioned legal services. This, along with having to deal with more complex cases and rising numbers of children on child protection plans has created a workload pressure that necessitates the appointment of an additional 6 workers. There is also a new duty on LAs to fund the cost of education to the age of 25 - university entry or other courses - for young people who have previously been supported by the local authority as a looked after child and who have no recourse to public funds to complete their education. The full proposals from CYPL are detailed in Annex B.
- 5.19 In addition to these revenue proposals the Council continues to invest in its priorities through targeted capital expenditure, details of which are set out below in the paragraphs that present the proposed capital programme.

Service Economies /Balancing the Budget

- 5.20 Members and officers have held regular meetings to determine options for savings and a list of potential draft budget savings has been developed. This list totals £3.920m and is summarised in Table 3, with Annex C setting out the full proposals from CYPL. As in previous years, these economies focus as far as possible on central and departmental support rather than on front-line services. However, since it became a Unitary Authority the Council has successfully delivered savings of around £58m in total. Against this background of continually bearing down on costs and driving to improve efficiency it is becoming increasingly difficult to find further savings in these areas, which would not compromise the Council's ability to function effectively. The economies have been analysed between those arising from efficiencies, support service reviews, changes in demand or additional income, and those with a potential service impact. The former are termed 'glide path savings' as they represent the Council's ongoing approach to the delivery of savings, implementing them as soon as practicable rather than awaiting the start of the financial year. As such, many represent the full year effect of economies that have already been implemented in 2013/14. Economies identified by Adult Social Care, Health and Housing resulting from the current take-up of the Local Council Tax Benefit Support Scheme have been incorporated into the Council Tax calculation in paragraph 5.12.

Table 3: Summary Service Economies

Department	Glide Path	Potential Service Impact	Total
	£'000	£'000	£'000
Chief Executive / Corporate Services	610	211	821
Children, Young People and Learning (excluding schools)	537	213	750
Adult Social Care, Health and Housing	851	40	891
Environment, Culture and Communities	1,066	392	1,458
Total Savings	3,064	856	3,920

Significant budget decisions

5.21 Consideration and approval of the budget is a major policy decision. However, the budget, by its nature, includes a range of proposals which in themselves represent significant policy decisions. Examples of these which are included in the overall budget package are the proposals on:

- fixed civil penalties;
- support for 13-19 year old pupils;
- Children and Adolescent Mental Health Services;
- and Early Years Childcare and Play.

5.22 As the budget report is a policy document and is subject to 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

5.23 Apart from the specific departmental budget proposals there are some Council wide issues affecting all departments' 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

The scale of the Council's Capital Programme for 2014/15 will impact upon the revenue budget and is itself subject to consultation. All new spending on services will need to be funded from new capital receipts, government grants, developer contributions or borrowing from internal resources. The proposed Council Funded Capital Programme of £8.428m and externally funded programme of £12.801m for 2014/15 is examined in detail later on this report. After allowing for projected receipts of approximately £5m in 2014/15 and carry forwards, but excluding the self-funding Invest to Save schemes, the additional revenue costs will be £0.020m in 2014/15 and £0.280m in 2015/16. These figures include on-going costs associated with the maintenance and support of IT capital purchases.

b) Interest and Investments

Until 2013, the economic recovery in the UK since 2008 had been the slowest recovery in recent history. However, growth rebounded in quarters 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction.

A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt, in some countries, continue to rise to levels that compound already existing concerns. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond.

Whilst the Bank Rate is not expected to change over the coming 12 months, there are a number of factors that will impact on the rate of return that can be expected to be earned by the Council. The Government's various "Help to Buy a Home" schemes are providing excess liquidity in the money markets, and combined with the continued Quantitative Easing policy of the Bank of England, short-to-medium term investment rates have fallen in the past 12 months to below the Bank Rate – with an average yield currently available to the Council of approximately 0.4%. Given the Council's approach to managing risk and keeping investments limited to a maximum of 6 months maturity with the exception of the part-nationalised UK Banks, the opportunity to achieve rates in excess of the Bank Rate is limited.

The 2014/15 budget is therefore based on an average rate of return of approximately 0.5% and reflects the lower cash balances as a result of the 2014/15 and proposed 2015/16 Capital Programme.

The net impact of these is a £0.050m pressure, being £0.020m related to the Capital Programme and a loss of income of £0.030m from the fall in the expected yield on investments from the 1% included in the 2013/14 Budget and other cash-flow movements.

There is a risk, however, that the Council's cash-flow will differ from past years as a result of the reforms to Business Rates Retention which has a dramatic impact on the cash-profile of the Council. As such any change in interest rates or cash balances will clearly have an impact on the overall

Unrestricted

investment income generated by the Council with every 0.1% reduction in the average rate of return adding a £0.02m pressure to the General Fund.

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”. A Treasury Management Strategy and associated documents have been developed in line with the Code of Practice which the Governance and Audit Committee will be requested to review.

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 again 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 £1.900m (£1.889m 2013/14) has been added to the budget. This will be achieved by:

- A pay award of no more than 1%;
- Negotiating to minimise inflation on contracts;
- Increasing fees and charges by 2.2% unless this is inconsistent with the Council’s income policy.

The Council will need to consider in more detail 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 2014.

d) Fees and Charges

The Council has a long established policy for the review of fees and charges. This requires each Department 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.

Unrestricted

It is estimated that many prices, where the Council charges users a fee for services, will need to increase by around 2.2% to recover the costs of those services. However, where current economic conditions and the market rate indicate a different percentage, for example for leisure income, this has been applied. Certain other fees also attract a different percentage as they are determined by statute.

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. During the next year the Council will face significant risks on its budget particularly in relation to:

- demand led services;
- retention of Business Rates by councils;
- general economic uncertainty.

The level of risk and uncertainty, whilst still significant, has diminished compared to last year. Take up of Council Tax support has been significantly less than originally budgeted for in 2013/14 and in the first year of operation of local retention of Business Rates it is anticipated that the budget for additional Business Rate income will be achieved relatively comfortably. For planning purposes the general Contingency has been reduced by £1m to £1m in order to set a realistic and deliverable budget in 2014/15.

The Executive will need to make a judgement on the appropriate level of contingency at its February meeting, taking advice from the Borough Treasurer who will need to certify the robustness of the overall budget proposals in the context of 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

5.24 The Education funding framework is undergoing change to better reflect government policy which is seeking to:

- reform the school funding system so it is fairer, simpler, more consistent and transparent;
- ensure that good, popular schools find it easier to expand in response to demands from parents;
- ensure that funding intended for education reaches schools and pupils that need it most.

5.25 The funding arrangements are that the Schools Budget – both delegated school funding and centrally managed items such as Special Educational Needs placements made outside of the Borough – continues to be funded by the specific, ring-fenced Dedicated Schools Grant (DSG).

5.26 From April 2013, the DSG was split into three notional blocks – schools (which includes delegated school budgets and a small number of centrally managed services) and early years, both of which have their own per pupil funding rate, and the high needs block which is funded at the level of historic spend. Funding in each block was initially based on 2012/13 budgeted spend but has subsequently been

Unrestricted

updated for changes in pupil numbers. The allocations are not ring-fenced to each block, so more or less can be planned to be spent within each element, but a ring-fence continues on the DSG as a whole so that it can only be spent on the functions defined within the School Funding Regulations.

- 5.27 With the new funding framework comes a new timetable for the production of budgets. 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 2014 even though relevant information required to calculate budgets was not supplied until 18 December 2013. To meet this requirement, 2014/15 school budgets will have to be set on the basis of the estimated level of DSG plus any accumulated balances. The draft budget proposals therefore assume the Schools Budget is set at the estimated level of DSG and that any accumulated deficit or surplus is managed to a nil balance by the end of the funding period.
- 5.28 Decisions around the final balance of the budget between spending by schools and that on services managed by the Council is the responsibility of the Executive Member for Children, Young People and Learning, although the Schools Forum must be consulted, and in certain circumstances, agree to budget proposals.

Summary position on the Revenue Budget

- 5.29 Adding the draft proposals to the Commitment Budget and taking account of the corporate issues identified above would result in total expenditure of £82.503m as shown in Table 4.

Table 4: Summary of proposals:

	£'000
Commitment Budget	83,951
Budget Pressures	2,090
Budget Economies	-3,920
Capital Programme	20
Changes in Investment Income	30
Inflation Provision	1,900
Decrease in Contingency	-1,000
Growth in Business Rates income	-68
New Homes Bonus 2014/15	-500
Draft Budget Requirement 2014/15	82,503

- 5.30 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 -£79.400m. This arises from Revenue Support Grant and Business Rates baseline funding (-£32.959m excluding Council Tax Freeze Grant), additional Council Tax Freeze Grant (-£0.501m) and Council Tax (-£45.940m).
- 5.31 With the potential overall cost of the budget package being consulted on in the region of £82.503m, this leaves a potential gap of around £3.103m. Members can choose to adopt either or both of the following approaches in order to bridge the remaining gap:
- an appropriate contribution from the Council's revenue balances, bearing in mind the Medium Term Financial Strategy;

Unrestricted

- identifying further expenditure reductions.

Balances

- 5.32 The Council has an estimated £8.6m available in General Reserves at 31 March 2014. Details are contained in Table 5.

Table 5: General Reserves as at 31 March 2013

	£m
General Fund	13.0
Planned use in 2013/14	(4.4)
Estimated Balance as at 31 March 2014	8.6

- 5.33 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 Borough Treasurer 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 three to four years.

Capital Programme

Introduction

- 5.34 Each year the Council agrees a programme of capital schemes. In the past these schemes have been funded from three main sources:
- the Council's accumulated capital receipts
 - Government Grants
 - other external contributions
- 5.35 The Local Government Act 2003 brought in radical changes to the financing of capital expenditure and from that date, the Government no longer issued borrowing approvals. Instead, under a new "prudential framework", Councils can set their own borrowing limits based on the affordability of the debt.
- 5.36 The proposed capital programme for 2013/14 has been developed, therefore, on the assumption that it will be funded by a combination of Government grants, other external contributions, some internal borrowing and £5.0m of capital receipts. The financing costs associated with the General Fund Capital Programme have been provided for in the Council's revenue budget plans which are set out above.

New Schemes

- 5.37 Within the general financial framework outlined above, Service Departments have considered new schemes for inclusion within the Council's Capital Programme for 2014/15 – 2016/17. Given that both capital and revenue resources are under pressure, each Department has evaluated and prioritised proposed schemes into the broad categories, set out in the Council's Corporate Capital Strategy and in line with the Council's Asset Management Plan. Having done this, only the very highest priority schemes and programmes are being recommended for inclusion in the Capital Programme.

Unavoidable & Committed schemes

- 5.38 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 2013/14 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.
- 5.39 Within these categories, provision has been made to address the rolling programme of disabled access requirements to Council buildings (£0.1m). The works have been identified through independent access audits and have been prioritised to meet the needs of users of these buildings. Significant progress has been made in past years and a programme of works has been planned across a range of service areas.

Town Centre Highway Works

- 5.40 In order to facilitate transport movements around the Borough, including in the medium term the planned Town Centre redevelopment, it is necessary to continue to fund a number of highway schemes in particular works required on the Twin Bridges site. As such a funding need of £2.0m has been identified in the 2014/15 proposals with further commitments required in future years to ensure that the regenerated town centre functions as a “whole centre” and not just as an isolated shopping outlet. The detail of subsequent years programmes will be worked up in the coming months, but spending levels of around £2m per annum are likely to be required until the new Broadway area is open for trading, which at this stage is anticipated to be in 2016.
- 5.41 This additional expenditure, aimed at maximising the positive experience of visiting the regenerated town centre, should be more that repaid through increases in car parking revenue and a massively increased business rate base.

Maintenance (Improvements and capitalised repairs)

- 5.42 An assessment 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:

Definition of Condition Categories:	
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.	
Priority:	
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.

- 5.43 The figures below are based on the information held in the Construction and Maintenance Groups' property management system as of the 21st November 2013. They have been adjusted to exclude those works that are already budgeted for within existing 2013/14 schools and corporate planned maintenance programmes.

The priorities can be broken down as follows:

Table 6: Maintenance Backlog

		£	£
		(000)	(000)
Schools	Priority 1C & 1D	2,088	
	Priority 2C & 2D	4,007	
	Lower Priorities	10,261	16,356
Corporate Properties	Priority 1C & 1D	1,780	
	Priority 2C & 2D	5,273	
	Lower Priorities	7,754	14,807
Total			31,163

- 5.44 The overall maintenance liability has reduced from £40.1m in 2011/12 to £31.2m and reflects the investment that the Council has made in its property asset base and a number of disposals.

Schools

- 5.45 Historically the Schools Maintenance Programme has been funded from the Capital Maintenance grant allocation from the Department for Education. The allocations from the DfE are expected on or after the publication of the Provisional Settlement and will be used to tackle the highest priority items identified in the condition surveys indicated above.

Non-schools

- 5.46 From an 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 2014/15 Revenue Budget proposals to meet these liabilities. 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 £1.5m is recommended to address the most pressing 1C & 1D priorities.
- 5.47 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

- 5.48 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 Medium Term Objectives and established Asset Management Plans.

Other Desirable Schemes

- 5.49 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 and the Council's Medium Term Objectives. The net cost of schemes which attract partial external funding are included in the schemes put forward.

Invest To Save Schemes

- 5.50 These are schemes where the additional revenue income or savings arising from their implementation exceeds the internal borrowing costs. The Council's approach to Invest to Save schemes is included in its Capital Strategy and in accordance with the Capital Strategy it is proposed that a further £1m be included in the 2014/15 capital programme for potential Invest to Save schemes.

Summary

- 5.51 Scheme details relating to the CYPL Department are set out in Annex D, and these show externally funded expenditure only at £8.985m. This excludes funding for planned maintenance and Devolved Formula Capital allocations paid directly to schools which have yet to be confirmed by the DfE and totalled £2.158m in 2013/14 (£1.843m and £0.315m respectively). The overall proposed capital programme requires £8.428m of funding from the Council.

There are no significant schemes highlighted for CYPL Department in years subsequent to 2014/15, pending confirmation of associated DfE grants.

Externally Funded Schemes

- 5.52 A number of external funding sources are also available to fund schemes within the capital programme, amounting to £12.801m of investment in 2014/15. External support has been identified from two main sources:

Unrestricted

Government Grants (Estimated to be £11.631m)

- 5.53 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 (and outlined in Annex D) reflects the latest position approved by the Executive in October 2013. In order to effectively deliver a schools investment programme the Government have announced two-year funding deals for schools capital investment. The report to the Executive on 15th October 2013 highlighted the levels of grant that had been initially allocated as a result of the bidding process and approved how these funds would be used. Additional Targeted Basic Needs Grant of £7.867m was initially awarded covering the period 2013/14 to 2014/15; however this has since been reviewed by DfE and reduced to £7.635m as the costs for one of the schemes is now classified as having elements of refurbishment rather than all new-build and as such attracts a lower grant allocation.

A second key constituent of capital grant funding relates to the Highway Maintenance and Integrated Transport Block. The Council's 2014/15 allocation was provisionally announced as part of a two-year settlement last year, and the Council expects this to be confirmed as part of the Provisional Local Government Settlement.

Section 106 (£1.170m)

- 5.54 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. The total money available at present, which is not financially committed to specific projects, is £5.1m, although conditions restricting its use will apply to almost all of this.

Officers have identified a number of schemes that could be funded from Section 106 funds in 2014/15, where funding becomes available. These are summarised below

Department	Schemes	Budget
		£000
CYPL	Schools	250
ECC	Parks & Open Spaces	320
ECC	Local Transport Plan	600
	Total	1,170

The level of new funding available through Section 106 will reduce significantly in the future following the introduction of the Community Infrastructure Levy (CIL). However the more flexible CIL funding should offset this reduction.

On-going revenue costs

- 5.55 A number of schemes have associated on-going revenue costs relating primarily to maintenance and support costs (particularly IT schemes). These costs tend to become payable in the year after implementation and as such will be included within the Council's Commitment Budget for 2015/16 and total £0.054m.

Unrestricted

Funding options

- 5.56 There are a number of important issues concerning the long term funding of capital expenditure. Following the transfer of the housing stock in 2008, the Council's capital receipts are limited to miscellaneous asset sales and the contribution from the VAT Shelter Scheme and Right-to-Buy claw back agreed as part of the transfer. As noted earlier in this report, these receipts are estimated to be in the region of £5.0m.
- 5.57 The proposed capital programme for 2014/15 has been developed, therefore, on the assumption that it will be funded by a combination of £5.0m of capital receipts, Government grants, other external contributions and some internal borrowing. The financing costs associated with the Capital Programme have been provided for in the Council's revenue budget plans.
- 5.58 Should any additional capital receipts be generated in 2014/15 the interest earned on these will be used to mitigate the revenue cost of the capital programme.
- 5.59 For 2014/15 it is unlikely that the Council will need to resort to external borrowing as it will be able to utilise resources held internally. However the Capital Finance regulations require the General Fund to set aside an amount which would be broadly equivalent to the amount the Council would need to pay if it borrowed externally. 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.
- 5.60 The reduction in available capital receipts has placed greater emphasis on the capital programme and its impact on the revenue budget. 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.
- 5.61 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 2014/15 to 2016/17 in February 2014, alongside its consideration of the specific budget proposals for 2014/15 and the Council's medium-term financial prospects.
- 5.62 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 2015/16 onwards, will need to be undertaken during next summer.

Update on Education Capital Grants

- 5.63 This report reflects the Executive's budget proposals that were published on 10 December. Subsequent to this, on 18 December, the DfE confirmed Education Capital Grant allocations for Universal Infant Free school meals for 2014/15 and Basic Needs funding for the three years 2014/17 (the 2014/15 allocation confirmed

Unrestricted

as unchanged the provisional amount already included in the Council's base budget).

- 5.64 For the universal free school meals for infants, which becomes a requirement from September 2014, £150 million of capital funding has been allocated for 2014/15 which will be delivered through local authorities for maintained schools, based on relevant pupil numbers from the January 2013 school census, for which the Council will receive £0.282m for community schools, with a further £0.058m due for voluntary aided schools. Further details on this grant are awaited.
- 5.65 For the Basic Need grant, which is allocated to support the capital requirement for providing new pupil places by creating new or expanding existing schools, £1.1bn has been allocated for 2015/16 and £1.25bn for 2016/17. Funding has been largely allocated on the basis of the 2013 School Capacity Survey (SCAP). Using this information, Basic Need funding is allocated on the basis of a comparison of forecast pupil numbers with school capacity, with shortfalls in capacity attracting funding. The Council will receive £3.477m in 2015/16 and £3.651m in 2016/17 which compares to the £2.937m received in 2014/15.
- 5.66 At this stage it is assumed that the Executive will propose that the full grant amounts are allocated for the intended purpose and therefore will be fully spent on Education related items.. Work is underway to prioritise their use which will be considered by the Education Capital Programme Board and the Executive in due course.
- 5.67 In addition to the capital grants allocated to the Council, schools are expected to continue to receive direct capital funding through the Devolved Formula Capital scheme. The DfE has yet to confirm funding rates with each school receiving a lump sum allocation of £4,000 and per pupil funding of £11.25 for primary schools, £16.88 for secondaries, and £33.75 for special schools in 2013/14. The average sized primary school in the borough received around £7,000 this year, and the average sized secondary school around £22,000.

Conclusion

- 5.68 When the final settlement is known, the Executive can consider the prudent use of revenue balances and appropriate level of Council Tax to support expenditure in line with the overall medium term financial strategy along with further possible reductions to augment the "core package". In doing this, it will be important to manage the budget process effectively so that the inevitable important service pressures can be responded to whilst, as far as possible, front-line services are maintained with minimal disruption and without creating long term problems for the Council.
- 5.69 All comments from the Schools Forum and others on the revenue and capital budget proposals will then be submitted to the Executive on 11 February 2014. This will allow the Executive to determine the final budget package and recommend the appropriate Council Tax level to the Council on 26 February 2014.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions (including consultation) are addressed within the main body of the report. The authorisation for incurring capital expenditure by local authorities is contained in the legislation covering the service areas. Controls on

Unrestricted

capital expenditure are contained in the Local Government Act 2003 and regulations made thereunder.

Borough Treasurer

- 6.2 The financial implications arising from this report are set out within the supporting information.

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

- 6.2 A sum of £1m is currently proposed 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.
- 6.3 The Borough Treasurer, 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 Borough Treasurer will report his findings in February, when the final budget package is recommended for approval.
- 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 2014/15 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 from internal resources. This effect is compounded by future year's capital programmes. As revenue resources are limited it is clear that a capital programme of this magnitude is not sustainable in the medium term without significant revenue economies. 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 2014/15, 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.

CONSULTATION

Principal Groups Consulted

- 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 Over 50's Forum, 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 www.bracknell-forest.gov.uk. There will also be a dedicated mailbox to collect comments.
- 7.2 The timetable for the approval of the 2014/15 Budget is as follows

Executive agree proposals as basis for consultation	10 December 2013
Consultation period	11 December 2013 - 21 January 2014
Executive considers representations made and recommends budget.	11 February 2014
Council considers Executive budget proposals	26 February 2014

Background Papers

None.

Contact for further information

David Watkins, Chief Officer : SR&EI
David.watkins@bracknell-forest.gov.uk

(01344 354061)

Paul Clark, Head of Departmental Finance
paul.clark@bracknell-forest.gov.uk

(01344 354054)

Doc. Ref

Doc. Ref G:\New Alluse\Executive\Schools Forum\65) 160114\LA Budget Proposals for 2014-15.doc

Commitment Budget 2014/15 to 2016/17

Item	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Children, Young People and Learning				
Approved Budget	14,942	15,065	14,905	14,900
<u>Suitability surveys</u> Suitability and access surveys are undertaken every three years to update the Asset Management Plan in order that up to date information is available to inform investment decisions on the capital programme.			20	-20
<u>Schools Music Festival</u> Biennial event which enables pupils from BF Primary schools to participate in a large scale production which links music, dance and art.		-10	10	-10
<u>Local foster home placements</u> The investment in staffing agreed in the 2012-13 base budget has, as expected, resulted in more children being placed in local foster homes instead of expensive independent foster homes. The savings reflect the current looked after children population which is volatile, and therefore subject to change, often at very short notice.		-150		
<u>Special Educational Needs Team</u> Removal of time limited funding to manage increased workloads.			-35	
<u>Virements</u> Net Inter Departmental Virements (1).	123			
Children, Young People and Learning Adjusted Budget	15,065	14,905	14,900	14,870

(1) These transfers net off to nil in the Council's budget, and most significant virements in CYPL relate to transferring £0.066m of funding to reflect CYPL usage of the Emergency Duty Team, and a budget addition of £0.033m to fund the increased contribution to finance the accumulated deficit on the Local Government Pension Scheme and a transfer of £0.022m from Corporate Services to cover the updated cost of services to schools.

Revenue budget: proposed PRESSURES for CYPL Department

Description	2014/15 £'000	2015/16 £'000	2016/17 £'000
<p>Looked After Children</p> <p>Based on the current costed schedule of known placements, a pressure has been identified to ensure the fulfilment of statutory duties for children and young people in care. This reflects an increase in the number of children being looked after and requiring care and support from 87 when the budget requirement for 2013/14 was established, to 92. Within this figure, there is a significant turnover in the looked after population, with varying placements costs depending on the age of child and type of placement needed. A small number of placements are at a very high cost.</p>	450		
<p>Children's Social Care</p> <p>The increase in number of cases and their complexity has placed work load pressure on social workers and others to meet statutory timescales and duties and maintain the safety of children and young people. In particular the number of child protection cases has increased by 37% between March 2012 and September 2013 (from 82 to 112). To manage the increased workload, it is proposed to fund the recruitment of 6 staff (£250,000) and the additional demands on court proceedings and associated commissioned legal costs (£50,000).</p>	300		
<p>Education grants to former looked after children without leave to remain in the UK</p> <p>Recent case law has confirmed a duty on local authorities to fund the cost of education to the age of 25 - university entry or other courses - for young people who have previously been supported by the local authority as a looked after child and who have no recourse to public funds to complete their education.</p>	40		
CHILDREN YOUNG PEOPLE AND LEARNING TOTAL	790	0	0

Revenue budget: proposed ECONOMIES for CYPL Department

Description Impact	2014/15 £'000	2015/16 £'000	2016/17 £'000
Glide Path Savings			
<p>Additional income</p> <p>A number of services are exceeding their income targets, or identifying new opportunities for income generation, either through improved trading, or additional external contributions, and where this is expected to continue, budgets will be increased accordingly. This relates to the School Improvement Team (£30,000) School Admissions (£20,000), Early Years (£14,000), Larchwood short break unit (£10,000) and aspects of Special Educational Needs and Targeted Services (£50,000).</p>	-124		
<p>Managing new efficiencies on contracts and general expenses</p> <p>Efficiencies have been achieved through negotiation of reduced costs for accommodation and support for looked after children. This covers rigorous and sustained work on initial negotiations, reviewing long term placements, securing bulk discounts and limiting annual inflation increases.</p>	-100		
<p>Revised service delivery</p> <p>As part of the on-going process to improve efficiency, a number of services have been reviewed or are in the process of being reviewed to consider alternative ways for their delivery. Where change is considered appropriate, this results in either a more efficient service, delivering the same for less, or a reduced or deleted range of services. It also makes permanent the deletion of associated posts that are currently being held vacant pending the reviews. It relates to the Education Psychology Service (£25,000), Family Support and Parenting Services (£100,000), support to Care Leavers (£22,000), Fostering and Adoption Recruitment (£18,000), the Family Information Service (£22,000), Early Years (payments to providers) (£4,000), Youth Justice (£16,000), Support to the Departmental Management Team (£30,000) and Commissioning and Policy, including school places planning and trading with schools (£50,000).</p>	-287		

Unrestricted

Description Impact	2014/15 £'000	2015/16 £'000	2016/17 £'000
<p>Reduced demand</p> <p>Budgets for some aspects of support are planned to be reduced to reflect current demand, with limited impact anticipated. This relates to setting up home grants for care leavers (£20,000) and bursaries to support up skilling of the childcare workforce (£6,000), where new government grants are now available.</p>	-26		
<p>Total Glide Path</p>	- 537	0	0
<p>Potential Service Impact Savings</p>			
<p>Support for 13-19 year old pupils</p> <p>The service includes information, advice and guidance to young people, and additional support to those not in education, employment or training (NEET). It is provided externally via a contract which will be re-configured to remove non-statutory services relating to job vacancies and bespoke support to young people (£28,000) and support for looked after children which can continue to be provided through existing funding within the Schools Budget (£22,000).</p>	-50		
<p>Pyramid for children</p> <p>This provides routine screening of the emotional health of Year 3 pupils of participating schools. It provides a time limited, out of school club offering short-term therapeutic interventions working with Year 3 pupils identified as having low self-esteem, little or no confidence and/or poor social skills. The programme has not been centrally supported in the current financial year and the budget is now proposed to be permanently deleted.</p>	-30		
<p>Early Years, Childcare & Play</p> <p>Support in three areas of Early Years is proposed to be reduced. The vacant part time post providing individualised training, support and advice to private providers on high quality provision will be deleted (£21,000). Funding for training and supporting volunteers that support vulnerable families in their homes will be reduced by 30% (£20,000), with start-up grants to promote development and extension of childcare providers deleted (£25,000).</p>	-66		

Unrestricted

Description Impact	2014/15 £'000	2015/16 £'000	2016/17 £'000
<p>Children and Adolescent Mental Health Service (CAMHS)</p> <p>The proposal is to stop commissioning a CAMHS Tier 2 post which undertakes direct work with children in care who are known to the Youth Offending Service. It also supports foster carers in dealing with challenging behaviours and provides specific training and advice for foster carers, social workers and Youth Offending Service staff. Referrals for support will in future be made direct to CAMHS, which is a Tier 3 service, with qualifying criteria.</p>	-55		
<p>Nepali Community Support Officer</p> <p>This is a joint funded post with Corporate Services that provides support to the Nepali community to help them to orientate themselves on arrival to this country, to integrate into the wider community and to access statutory and voluntary services including youth centres/activities, children's centres, schools, housing and benefits. Reducing the hours available to the post will lower the number of families that can be supported.</p>	-12		
Total Potential Service Impact	-213	0	0
CHILDREN YOUNG PEOPLE AND LEARNING TOTAL	-750	0	0

CYPL Proposed Capital Programme

	2014/15 £000	2015/16 £000	2016/17 £000
Committed			
<i>None</i>	0	0	0
	0	0	0
Unavoidable			
<i>None</i>	0	0	0
	0	0	0
Maintenance			
<i>To be funded from DfE Grant</i>			
	0	0	0
Rolling Programme / Other Desirable			
<i>None</i>	0	0	0
	0	0	0
TOTAL REQUEST FOR COUNCIL FUNDING	0	0	0
External Funding			
Other			
Maintenance	tbc	tbc	tbc
Basic Need Grant (School Places)	2,937	tbc	tbc
Targeted Basic Need Grant (School Places)	5,458	tbc	tbc
S106 Contributions (Schemes less than £50k)	250	250	250
Cranbourne Classrooms - Capital Receipt Funded	320	0	0
School Kitchen Refurbishments	20	20	20
Schools Devolved Formula Capital	tbc	tbc	tbc
	8,985	270	270
TOTAL EXTERNAL FUNDING	8,985	270	270
TOTAL CAPITAL PROGRAMME	8,985	270	270

Capital Programme 2014/15 – Children, Young People and Learning

Basic Need Grant (School Places)	£2,937,000
Agreed by Executive 15 th October 2013	
Cranbourne Classrooms	£141,000
The Pines Expansion	£650,000
Garth Hill Expansion	£834,000
Olwsmoor Expansion	£1,053,000
Amen Corner Primary	£25,000
North Warfield West Primary School	£25,000
North Warfield East Primary School	£25,000
TRL Primary School	£25,000
Blue Mountain Learning Village	£159,000

Targeted Basic Needs Grant (School Places)	£5,458,000
Agreed by Executive 15 th October 2013	
Winkfield St Marys Surge Classroom	£200,000
SEN Facility Eastern Road	£1,077,000
Owlsmoor Expansion	£653,000
Garth Hill Expansion	£3,528,000

S106 Contributions (Under £50k)	£250,000
As S106 funds become available schemes will be worked up and prioritised by Education Capital Programme Board.	

Cranbourne Classrooms – Capital Receipt Funded	£320,000
The replacement of two old asbestos-roofed modular buildings housing the Nursery and reception classes, plus construction of a new surge classroom. This element of the funding reflects the expenditure funded from the receipt due from the disposal of the former schoolhouse.	

School Kitchen Refurbishments – Planned Maintenance Grant	£20,000
There are 30 school meal kitchens in Bracknell Forest schools which have intensive use and require periodic capital investment to keep them operating in line with statutory compliance issues such as gas safety and environmental health. Key items of the fabric, ventilation and heavy equipment are becoming obsolete or in need of urgent replacement.	