

**TO: THE EXECUTIVE  
15 DECEMBER 2015**

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**GENERAL FUND REVENUE BUDGET 2016/17  
Chief Executive/Borough Treasurer**

**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 2016/17.
- 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 late December 2015. 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 9 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 2016/17 budget and Council Tax on 24 February 2016.

**2 RECOMMENDATIONS**

**That the Executive:**

- 2.1 **Agree the draft budget proposals for 2016/17 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 Annexe E and request that the Governance and Audit Committee review each of the key elements.**
- 2.3 **Agree that the 2016/17 Schools Budget be set at the eventual level of grant income plus any accumulated balances, with the Executive Member for Children, Young People and Learning authorised to make amendments and agree budgets for schools and services centrally managed by the Council.**
- 2.4 **Approve the virements relating to the 2015/16 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 2016/17 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 INTRODUCTION**

- 5.1 Following the national elections in May 2015, the overriding message from Government has been extremely clear. The priority is to eliminate the deficit and reduce the national debt. This is to be achieved through a continuation of austerity measures, with the focus principally on reducing public expenditure. The Chancellor of the Exchequer announced the plans in his Spending Review on the 25th November 2015. The Spending Review determines how the Government will spend public money over the course of this Parliament by setting budgets for each central department. The level of detail provided will not enable individual councils to identify their exact funding for 2016/17 but this will become clear once the Provisional Local Government Finance Settlement (LGFS) is published in late December.
- 5.2 Core central government funding to local government, comprising Business Rates and Revenue Support Grant, will fall by 24% in real terms over the period to 2019/20, however this masks a larger reduction of £6.1bn or 53% in cash funding between 2015/16 (£11.5bn) and 2019/20 (£5.4bn). In recognition of the funding pressures faced by local government however, the Chancellor announced a further £1.5bn to be added to the Better Care Fund over the period alongside the introduction of a “Social Care Precept” enabling authorities to levy an additional 2% increase in Council Tax over and above the threshold (above which a referendum is required) that is set each year. Further announcements included a 3.9% cut in the ring-fenced Public Health Grant, a £600m cut in the Education Services Grant and a reform of the New Homes Bonus.
- 5.3 The implications of the above for Bracknell Forest will become apparent when the Department for Communities and Local Government publishes the Provisional LGFS in December, however the assumptions included in this report remain valid based on the information that is currently available following the Chancellor’s announcements.
- 5.4 In response to this challenging financial climate a new Council Plan covering the period 2015 to 2019 has been adopted. Underpinning the Plan is a new narrative or philosophy for the organisation which contains the following key messages:
- many residents are affluent, well educated and independent. The Council wants to continue to support that by providing core services that all residents can benefit from
  - but we recognise that we need to prioritise if we are to live within our means, and that will mean making difficult decisions
  - we will prioritise people and areas with the greatest need and provide early help and prevention so struggling or vulnerable people can maximise their opportunities to become independent.
- 5.4 Future Council budgets will reflect both the national context within which local government operates and specifically the Council’s new narrative. 2016/17 is the first of those budgets.

### **6 COMMITMENT BUDGET 2016/17 – 2020/21**

- 6.1 Initial preparations for the 2016/17 budget have focussed on the Council’s Commitment Budget for 2016/17 – 2020/21. This brings together the Council’s existing expenditure plans, taking account of approved commitments and the

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ongoing effects of service developments and efficiencies that were agreed when the 2015/16 budget was set.

6.2 A number of changes are proposed to the Commitment Budget since it was last considered by the Executive in September and are reflected in the summary in Table 1. The most significant are set out below:

- The inclusion of recruitment and retention proposals for Children's' Social Care approved by the Executive on the 21 July (£1.118m).
- The projection for the Minimum Revenue Provision now incorporates the latest forecast for capital spend and receipts (£0.064m).
- The departmental saving resulting from the Street Lighting Invest to Save Scheme has been included, following the supplementary capital estimate being approved by Council on 25 November (-£0.175m).
- Reductions in Bed and Breakfast accommodation costs and Home to School Transport costs resulting from the purchase of Tenterden Lodge have been added (-£0.182m).
- Updated Waste Disposal projections based on the latest tonnages and recycling data (£0.179m).
- Interest on external borrowing required to finance the construction of Binfield Learning Village (£0.075m).

The overall impact of these changes is to increase the Council's Commitment Budget by £1.032m compared to the position reported in September.

6.3 Taking account of these changes, Table 1 summarises the position and shows that base expenditure (excluding schools) is planned to increase by £1.556m to £80.735m next year, before consideration is given to allowances for inflation and the budget proposals identified by individual Departments in 2016/17. The commitment budget is shown in more detail in Annexe A.

Table 1: Summary Commitment Budget 2016/17-2020/21

	<b>Planned Expenditure</b>				
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Base Budget	79,179	80,735	81,946	82,978	83,883
<i>Movements in Year:</i>					
Adult Social Care, Health and Housing	-152	0	0	0	0
Children, Young People and Learning (excluding schools)	1,088	36	10	-10	-10
Corporate Services / Chief Executive's Office	-159	-44	29	51	29
Environment, Culture & Communities	42	-376	184	152	226
Non Departmental / Council Wide	737	1,595	809	712	400
<i>Total Movements</i>	1,556	1,211	1,032	905	645
<b>Adjusted Base</b>	<b>80,735</b>	<b>81,946</b>	<b>82,978</b>	<b>83,883</b>	<b>84,528</b>

## **7 SPENDING REVIEW 2015 AND PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2016/17**

- 7.1 Following the General Election in May 2015, the Government announced a Spending Review to be concluded and published on 25 November 2015. The Spending Review was duly delivered by the Chancellor of the Exchequer and provided a high-level overview of the Government's spending totals over the next 4 years to 2019/20. Although there has been some improvement in public finances, the headline news was that Local Government will see a more than 50% reduction in central government support over the next 4 years. This, in part, relates to the forthcoming review of Business Rates where the Government plans to remove all central government support through the Revenue Support Grant (RSG) by 2019/20. This reduction in Government support will undoubtedly place substantial financial pressure on all councils with total local government spending expected to remain at 2015/16 levels by 2019/20.
- 7.2 On a more positive note, the Government also announced it will allow councils with social care responsibilities to increase Council Tax income by 2%, in the form of a "social care precept", with the criteria that it is spent fully on relieving Adult Social Care pressures. This is understood to be in addition to the 2% threshold that currently exists before a referendum must be called for a Council Tax rise. Further details will be announced in December. In addition, a further £1.5bn of funding will be earmarked and ring-fenced for the Better Care Fund by 2019/20, although it is not yet clear where this funding has been found from.
- 7.3 The Government will also protect the schools budget in real terms, enabling a per pupil protection for the Dedicated Schools Grant and the pupil premium. However, this will involve making around £600 million savings from the Education Services Grant (ESG) and supporting schools to realise efficiencies, including phasing out the additional funding schools receive through the ESG. The government will reduce the local authority role in running schools and remove a number of statutory duties.
- 7.4 Consultations on the following areas were also announced as part of the Spending Review:
- Changes to the local government finance system to pave the way for the implementation of 100% Business Rates retention and to rebalance support to those councils with Social Care responsibilities;
  - Options to fully fund Public Health from retained Business Rates receipts as part of the move towards 100% Business Rates retention;
  - A national funding formula for schools, high needs and early year, which will be introduced in 2017/18.
- 7.5 Other announcements which are likely to impact on the Council included the following.
- Extension of the doubling of small Business Rates relief until April 2017.
  - Councils will have the flexibility to spend capital receipts (excluding Right to Buy receipts) from asset sales on the revenue costs of reform projects.
  - An apprentice levy will be introduced in April 2017 at the rate of 0.5% of an employer's pay bill.
  - Additional capital funds for infrastructure and schools.

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- 7.6 As with past Spending Reviews, the information is provided at a Government Department level and is of limited value in terms of identifying the impact on Bracknell Forest as an individual council. Some of this detail will be provided as part of the provisional LGFS which is expected to be announced in mid to late December. Even then, however, uncertainties will exist due to the consultations referred to in paragraph 7.4
- 7.7 Funding from central government is currently received through 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 £3.0m in RSG for 2016/17. For the remaining period of the Commitment Budget, a reduction of 6% per annum in overall government support has been assumed. This would amount to an overall reduction over the next five years of a real terms cut of 30%. These figures will be refined when the provisional LGFS is received. As details are still awaited on the phasing out of RSG by 2020 (as the retention of Business Rates is increased), this has not been incorporated into the budget proposals. Further information on the potential impact is included in paragraph 7.10.
- 7.8 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

This non-ringfenced grant is designed to reward and encourage development of new properties in local communities and will generate -£3.290m for the Council in 2015/16. An increase of £0.600m has been incorporated at this stage of the budget process, bringing the total level of budget support to -£3.890m. The funding mechanism was initially designed to deliver a rolling 6-year's worth of funding and with the scheme starting in 2011/12, that years funding will fall out in 2017/18. The Government will be consulting on reforms to the New Homes Bonus, including the means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million, which will be used to fund social care. This would result in income tapering off at a faster rate than currently forecast.

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, totalling over -£11m in 2015/16. The Government has confirmed that the ring-fence on Public Health spending will be maintained in 2016/17 and 2017/18 and that a 3.9% cut in funding will be required. The Government will also consult on options to fully fund Public Health spending from retained Business Rates receipts, as part of the move towards 100% Business Rates retention. The Spending Review also refers to additional social care funds being made available to local government from 2017/18, rising to £1.5 billion by 2019/20 and to be included as part of an improved Better Care Fund.

It has been assumed that these funding streams will be used to support services and initiatives within the health and social care area and as such are financially neutral for planning purposes at this stage in the budget cycle.

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- 7.9 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. The Government sets a baseline level of funding against which any growth or reduction is shared between local and central government.
- 7.10 The Government has announced that by 2020, local government will be able to retain 100% of Business Rates, RSG will be phased out and local government will be expected to take on new responsibilities. The government will abolish the Uniform Business Rate and give councils the power to cut Business Rates to boost economic activity in their areas. The Department for Communities and Local Government will consult on changes to the local government finance system to pave the way for the implementation of the 100% Business Rates retention. Currently the Council collects significantly more Business Rates than it is allowed to keep (although presumably a baseline will need to be established under the new arrangements) and only receives approximately a quarter of any Business Rates growth. However, until the finer details of the scheme are announced, any potential benefits need to be viewed with caution bearing in mind the need to take on new responsibilities, the overall deficit reduction programme and the increased exposure to volatility from appeals and business movements that will arise as a consequence.
- 7.11 During 2013/14 a large multi-national company transferred on to the Council's valuation list which materially increased the level of Business Rates collected locally. The 2015/16 base-budget was supported by an on-going transfer of £3m from this additional income on top of a one-off transfer of £3.988m from accumulated surpluses held in the Business Rates Equalisation Reserve. This company has successfully appealed against the rateable value of its business and details are awaited on the impact of the appeal from the Valuation Office. The timing of this information is uncertain but for the budget projections it has been assumed that a 50% reduction in rateable value will result from the appeal. A significant deficit is now projected on the Business Rates element of the Collection Fund as a result and ongoing income will also be reduced if this level of reduction is confirmed. Assuming baseline funding is increased by September RPI and taking into account known changes in section 31 income and local circumstances, the budget projections assume overall income of -£17.986m. This projection is subject to change and will be revised when the provisional LGFS is received, the annual Business Rates forecast is completed in January and any appeal notifications are received. There is a risk associated with these projections due to the impact of the outstanding appeals, 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.

## **8 COLLECTION FUND**

- 8.1 Following the acceptance of Council Tax Freeze Grant and the resultant zero increase for the last five years, Council Tax at present levels will generate total income of -£46.706m in 2016/17. 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 2015/16. Based on the latest forecast, Council Tax income will increase by £0.345m as a result in 2016/17. If the proposed changes to the Scheme, which are included elsewhere on the agenda, are approved this will increase Council Tax income by a further £0.302m. An increase in the Tax

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Base arising from the occupation of new properties during 2016/17 is expected to contribute an additional £0.655m. Based on these provisional figures, Council Tax income is therefore expected to be -£48.008m for 2016/17. These figures will be updated when the Council Tax Base is finalised during December.

- 8.2 The Spending Review made no reference to Council Tax Freeze Grant and it has been assumed that the existing funding received by the Council up to 2015/16 will be maintained, but that there will be no new support going forward.
- 8.3 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 final Local Government Financial Settlement. No guidance is therefore currently available for 2016/17 but in 2015/16 a referendum was required for Council Tax increases of 2% or more. A 2% increase in Council Tax would generate approximately -£1m of additional income. As a council with Social Care responsibilities, it will now also be possible for Council Tax to be raised by a further 2% to support Social Care pressures.
- 8.4 A surplus will be generated on the Council Tax element of the Collection Fund in the current year, primarily due to a lower than expected take up of the Local Council Tax Benefit Support Scheme. The Council's share of this surplus, which can be used to support the 2016/17 budget, is estimated to be -£0.425m.
- 8.5 A deficit is expected to be generated on the Business Rates element of the Collection Fund and the Council's share is estimated to be £10.516m. This deficit will be funded from a one-off transfer out of the Business Rate Equalisation Reserve.
- 8.6 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.

## 9 BUDGET PROPOSALS 2016/17

### Service Pressures and Developments

- 9.1 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 self evidently severely restricted. Nevertheless, it is important to retain a clear focus to ensure that the Council continues to deliver the Council's six strategic themes. In preparing the 2016/17 draft budget proposals each department has evaluated the potential pressures on its services and these are set out in Annexe B. Table 2 summarises the pressures by department.

Table 2: Service Pressures/Development

<b>Department</b>	<b>£'000</b>
Adult Social Care, Health and Housing	708
Children, Young People and Learning (excluding schools)	246
Corporate Services / Chief Executive's Office	291
Environment, Culture & Communities	263
Non Departmental / Council Wide	841
<b>Total Pressures/Developments</b>	<b>2,349</b>

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- 9.2 Many of the pressures are simply unavoidable as they relate to demographic trends, changes in funding and new legislation. They do, however, also support the six strategic themes included in the new Council Plan in the following way:
- A strong and resilient economy (0151.m)
  - people have the life skills and education opportunities they need to thrive (£0.100m);
  - people live active and healthy lifestyles (£0.614m);
  - a clean, green, growing and sustainable place (0.099m);
  - strong, safe, supportive and self-reliant communities (£0.260m);
- 9.3 Service pressures will be kept under review throughout the budget consultation period. There is always the risk in Social Care 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.
- 9.4 In addition to these revenue proposals the Council continues to invest in its priorities through targeted capital expenditure. A substantial investment in the long term future of the Borough is planned, to secure the delivery of regeneration in Bracknell town centre, to ensure that there are sufficient school places for our children and young people, and to protect and enhance the Borough's outstanding leisure offer. Details of these major investments 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 /Balancing the Budget

- 9.5 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 -£3.687m and is attached at Annexe C and summarised in Table 3. 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 £65m 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. Additional economies identified by Adult Social Care, Health and Housing that result from changes to the Local Council Tax Benefit Support Scheme have now been incorporated into the Council Tax calculation as outlined in paragraph 8.1.

Table 3: Summary Service Economies

<b>Department</b>	<b>£'000</b>
Adult Social Care, Health and Housing	-710
Children, Young People and Learning (excluding schools)	-714
Corporate Services / Chief Executive's Office	-756
Environment, Culture & Communities	-1,161
Non Departmental / Council Wide	-346
<b>Total Savings</b>	<b>-3,687</b>

### Significant Budget Decisions

- 9.6 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.
- 9.7 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

- 9.8 Apart from the specific departmental budget proposals contained in Annexes B and C 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

As outlined above, the scale of the Council's Capital Programme for 2016/17 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, government grants, developer contributions or borrowing. The proposed Council Funded Capital Programme of £51.387m and externally funded programme of £17.498m for 2016/17 features in a separate report on tonight's agenda. After allowing for projected receipts of approximately £5m in 2016/17 and carry forwards, the additional revenue costs will be £0.041m in 2016/17 and £0.971m in 2017/18. These figures include on-going costs associated with the maintenance and support of IT capital purchases.

b) Interest and Investments

Investment returns are likely to remain relatively low during 2016/17 and for some time to come compared to historic averages rates. The Bank of England in its latest Inflation Report (November 2015) forecast the Bank Rate to remain unchanged at 0.5% during the next nine months before starting to rise in the last months of 2016. With inflation low and predicted to stay low for the next 12 months, the decision to raise rates by the Bank of England will be a difficult one with risks coming from concerns on declining global trade and geo-political tensions. 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 2016/17 budget is therefore based on an average rate of return of approximately 0.5% on its investments and reflects the lower cash balances as a result of the proposed 2016/17 Capital Programme. This programme is substantially larger than any previous plans and includes some major long-term projects (Binfield Learning Village, Local Housing Company, Street Lighting Replacement) that will span a number of years and which are reliant on a range of complex factors including agreements with partners, planning

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approvals and other issues outside of the control of the Council. The timing of the cash-flows related to these schemes will to a large extent be dependent on these factors. Given that taken together these major schemes cannot be funded completely from existing resources and will require external borrowing to complete, the projection of investment income is particularly difficult this year.

Maximum use of internal cash will be used in the first instance before going to the external market for borrowing, the timing of which will depend largely on the progress made on completing the major capital projects. However over the last two years underlying cash balances have been higher than predicted, enabling the Council to earn a greater income than budgeted (this has been reported as part of the budget monitoring process). It has also enabled the Council to maximise the opportunity of paying pension contributions 12 months up-front (rather than monthly in arrears) benefitting from a much higher return than could be achieved in the cash markets.

Taking these factors into account (the higher cash balances, the low interest rates and the benefit from pension pre-payments) the net impact of the capital programme, excluding the Binfield Learning Village, is an economy of -£0.034m - a gain of -£0.075m from the higher than expected cash balances less the £0.041m pressure from the Capital Programme.

There is an expectation that the cash flows required to complete the Binfield Learning Village will require external finance and this has been allowed for in the Commitment Budget (£0.075m).

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. With a number of outstanding large scale appeals and the shortly to be announced reforms to Business Rates this area represents a further layer of uncertainty.

As such any change in interest rates or cash balances will clearly have an impact on the overall investment income generated by the Council and may require the Council to borrow externally sooner than expected. It is difficult to estimate the impact given this transition between internal and external borrowing. Long-term interest rates are at historical lows with 25-year Public Works Loan Board rates at 3.5% compared to an internal investment return of 0.5%.

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". Annex E outlines the Council's prudential indicators for 2016/17 – 2018/19 and sets out the expected treasury management activities for this period. 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.

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### 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 £0.800m (£1.511m 2015/16) has been added to the budget. This will be achieved by:

- Assuming a pay award of no more than 1%;
- Negotiating to minimise inflation on contracts;
- Reviewing the Bracknell Forest Supplement;
- 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 2016.

### 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 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.

Certain other fees will attract the percentage determined by statute. The proposed fees and charges are included in Annexe D. These exclude the Fees and Charges for Coral Reef which will need to be reviewed before it is re-opened.

### 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.

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A range of significant risks were identified in preparing the 2015/16 Budget and it was deemed prudent to increase the Contingency from £1m to £2m. Whilst the Council continues to face uncertain times, given the level of reserves held by the Council and progress made on some of these factors at this stage, it is proposed to reduce the level back to £1m for 2016/17.

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

- 9.9 The Schools Budget continues to be funded by grants, the most significant of which is the specific ring-fenced Dedicated Schools Grant (DSG). This comprises three notional blocks; schools, which includes delegated school budgets and a small number of centrally managed services aimed at 5 – 16 year olds; early years, which again includes funds to pay providers and a limited range of central support services for 2 – 4 year olds; and the high needs block, which is generally centrally managed and is intended to fund the cost of education for 0 – 25 year olds when individual needs exceed £10,000. The gross DSG totalled -£83.081m in 2015/16.
- 9.10 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 and Early Years Finance Regulations.
- 9.11 In setting the 2015/16 Schools Budget, the Schools Forum agreed that £2.093m of funding allocated by the Department for Education (DfE) for schools needed to be diverted to fund an unavoidable cost increase on statutory provisions supporting high needs pupils. The cost pressure mainly arose from changes introduced through the Children and Families Act, the most significant of which related to extending LA funding responsibilities for the provision of education to young people with special educational needs up to age 25 rather than the existing age 19. Whilst additional resources were added into the DSG for these changes, the amount was based on 2011/12 student numbers, which typically rose by 40% by the time actual funding responsibility changed.
- 9.12 In terms of the 2016/17 funding settlement for the Schools Budget, the DfE has confirmed that DSG per pupil funding rates for the Schools and Early Years Blocks will remain unchanged from 2015/16. For the High Needs Block, the DfE has indicated that councils should also plan for no change in funding from 2015/16.
- 9.13 Many of the financial difficulties faced by the council on non-school services also impact on schools, with pressures arising on pay and other inflationary cost increases, a 2.5% increase in contributions to the teachers' pension fund and increases in National Insurance contributions which coupled with other pressures indicate an average cost pressure next year on individual school budgets of 4.5%. In the longer term, further cost pressures will arise from the school building programme which is responding to new housing developments. These new schools will generally open with relatively low pupil numbers and will need additional financial support until

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pupil numbers grow to a sustainable level. This pressure will ordinarily need to be managed through the DSG and even with inflationary increases in funding settlements now expected over the next four years, reductions to individual school budgets to finance future, unavoidable pressures, cannot be ruled out. The impact of the Government's proposed consultation on a national funding formula for schools is also unknown at this stage.

- 9.14 Whilst it is expected that the schools and early years block elements of the DSG will be confirmed by the end of December, it is unlikely that the high needs block amount will be known until March 2016. However, 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 2016 even though relevant information required to calculate budgets will not be supplied before 10 December 2015. To meet this requirement, 2016/17 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 therefore assume the Schools Budget is set at the estimated level of grants and that any accumulated deficit or surplus is managed to a nil balance by the end of the funding period.
- 9.15 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 2016/17.
- 9.16 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

- 9.17 Adding the draft proposals to the Commitment Budget and taking account of the corporate issues identified above would result in total expenditure of £72.035m as shown in Table 5.

Table 5: Summary of proposals:

	£'000
Commitment Budget	80,735
Budget Pressures	2,349
Budget Economies	-3,687
Capital Programme	41
Changes in Investment Income	-75
Inflation Provision	800
Reversal of one-off transfer from Business Rates Equalisation Reserve used to balance the Budget in 2015/16	3,988
Change in Contingency	-1,000
One-off transfer from the Business Rates Equalisation Reserve to meet the Collection Fund - Business Rates Deficit	-10,516
New Homes Bonus 2016/17	-600
<b>Draft Budget Requirement 2016/17</b>	<b>72,035</b>

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- 9.18 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 -£65.991m. This arises from Revenue Support Grant and Business Rates baseline funding (-£28.074m), the Collection Fund – Council Tax surplus (-£0.425m), Council Tax at the 2015/16 level (-£48.008m) less the deficit of £10.516m on the Collection Fund – Business Rates.
- 9.19 With the potential overall cost of the budget package being consulted on in the region of £72.035m, this leaves a potential gap of around £6.044m. 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 Strategy;
  - identifying further expenditure reductions.
- 9.20 With regards to identifying additional economies the Council has established a Transformation Board which will take the lead on reviewing the way in which all Council services are delivered over the next four years. This represents a continuous programme of work, with the aim of identifying significant savings that can be incorporated into the 2016/17 budget and beyond. The following services have been included in the first phase of Transformation Board's work programme:
- Adult Social Care Commissioning
  - Highways and Transport
  - Housing Benefits
  - Cultural and Leisure Services
  - Public Health
- 9.21 It is anticipated that a significant proportion of the budget gap identified in paragraph 9.19 (£6.044m) will be met from the five service areas above.

## 10 RESERVES

- 10.1 The Council has an estimated £10.0m available in General Reserves at 31 March 2016. Details are contained in Table 6.

Table 6: General Reserves as at 31 March 2016

	£m
General Fund	10.9
Planned use in 2015/16	(0.9)
<b>Estimated Balance as at 31 March 2016</b>	<b>10.0</b>

- 10.2 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 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 five years.

## **11 CONCLUSION**

- 11.1 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.
- 11.2 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.
- 11.3 All comments from the Overview & Scrutiny Commission, Overview and Scrutiny Panels and all others will then be submitted to the Executive on 09 February 2016. This will allow the Executive to determine the final budget package and recommend the appropriate Council Tax level to the Council on 24 February 2016.

## **12 BUDGET MONITORING 2015/16- VIREMENT REQUEST**

- 12.1 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 departments of any amount. Full Council approval is required for virements over £0.100m. During 2015/16 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 departments are set out in Annexe F. Details of internal departmental virements exceeding £0.050m are set out in Annexe G.

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

### Borough Solicitor

- 13.1 Nothing to add to the report.

### Borough Treasurer

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

### Equalities Impact Assessment

- 13.3 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

- 13.4 A sum of £1m 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.
- 13.5 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.

**14 CONSULTATION**

Principal Groups Consulted

- 14.1 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.
- 14.2 The timetable for the approval of the 2016/17 Budget is as follows

Executive agree proposals as basis for consultation	15 December 2015
Consultation period	16 December 2015 - 31 January 2016
Executive considers representations made and recommends budget.	09 February 2016
Council considers Executive budget proposals	24 February 2016

Background Papers

None

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