



## **FINANCIAL PLANS AND BUDGETS**

### **SUPPORTING INFORMATION**

**1999/2000**

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## Summary of Budget report to Strategy and Policy

### 1 Introduction

1.1 On 6 January 1999, the Strategy and Policy Committee considered the position facing the Council in setting the 1999/2000 budget. At the time, the Local Authority Finance Settlement for 1999/2000 had not been finalised. However, a key conclusion was that the Council was likely to face a potential shortfall in resources of £1.00m to £1.25m before consideration of service pressures and developments. In the light of this, Service Committees were requested to identify both essential service developments and opportunities to rationalise expenditure through a mixture of good housekeeping measures and service reviews.

1.2 The final Local Government Finance Settlement was announced on 1 February and the Council's Standard Spending Assessment (SSA) for 1999/2000 was set at £79.740m. This represents an increase of 4.8% when compared with 1998/99 as shown in Table 1.

Table 1: Analysis of Final SSA

	£'000	% change
Education	41,560	4.7%
Social Services	13,537	1.8%
Highways	3,951	0.6%
Environmental Protective and Cultural Services	15,965	2.4%
Capital Finance	2,173	27.5%
Fire	2,554	3.4%
<b>Total</b>	<b>79,740</b>	<b>4.8%</b>

1.3 The Government confirmed that the capping criteria would not be set before Councils set their Council Tax. Ministers, however, made it clear that they expected local authorities to exercise restraint in setting their budgets. The Government also introduced a limit to Council Tax Benefit Subsidy which is linked to the level of Council Tax increase.

1.4 The final settlement saw a change in the Government's assessment of the level of income that could be generated by Council Tax in Bracknell Forest as shown in Table 2. The effect is that to finance expenditure at its SSA level, the Council would need to increase the Council Tax by 5.25%.

Table 2: Financing of the Council's Final SSA for 1999/2000

	Provisional Settlement £'000	Final Settlement £'000	Change £'000
Revenue Support Grant	26,482	26,290	-192
National Non-Domestic Rates	28,246	28,245	-1
Council Tax	25,043	25,205	162
<b>Total (= SSA)</b>	<b>79,771</b>	<b>79,740</b>	<b>-31</b>

- 1.5 A late adjustment to SSAs and grant was also received for 1997/98. This occurred because of the realignment of some boundaries around Birmingham and has resulted in the one off payment of £0.028m additional grant.

## 2 Service Committee Base Budgets 1999/2000

- 2.1 Each Committee considered its draft base budget for 1999/2000 within the framework set by the Strategy and Policy Committee. The totals agreed, taking into account latest monitoring against approved budgets and existing commitments, are shown in Table 3. This table includes a reduction of £0.087m to the Education Committee's base budget which was approved by the Strategy and Policy Committee on 16 February 1999 on the basis of information received after the Education Committee meeting. This indicated that additional grant income would be received in respect of music tuition for which provision already existed in the base budget. Taking this into account, the service committees' base budgets for 1999/2000 are, therefore, £76.764m.

Table 3: Base Budgets 1999/2000

	<b>Base Budget 1998/99 £'000</b>	<b>Net Variations agreed £'000</b>	<b>Draft Base 1999/2000 £'000</b>
Education	36,974	419	37,393
Finance & Property	7,067	307	7,374
Leisure Services	3,838	-315	3,523
Planning & Transportation	6,731	-364	6,367
Public & Environmental Services	5,297	-129	5,168
Social Services & Housing	16,414	525	16,939
<b>Total</b>	<b>76,321</b>	<b>443</b>	<b>76,764</b>

## 3 Committee Spending Proposals

### 3.1 Service Developments

- 3.1.1 Service Committees put forward proposals for developing services or responding to service pressures where these were unavoidable. The proposals are shown in Annexe A, and reflect three changes approved by the Strategy and Policy Committee on 16 February 1999 on the basis of information not previously available to service committees:

- a) the Education Committee's request for £0.085m in respect of an anticipated rise in pupil numbers is excluded, following the detailed results of the January pupil count;
- b) the Education Committee's proposals include additional funding to increase the Age Weighted Pupil Unit for Key Stage 2 by £50 per pupil;
- c) the Social Services and Housing Committee's proposal for £0.095m to support the Quality Protects initiative is excluded as it will be funded by a specific grant;

- 3.1.2 In addition, a number of service developments which do not relate to a single service committee were considered by the Strategy and Policy Committee. The items are

shown in Annexe B and result in additional expenditure of £0.843m, with a full year effect of £2.181m. These items have been incorporated within the relevant Service Committee budgets in table 4 which summarises all service developments and pressures.

Table 4: Service Developments and Budget Pressures

<b>Committee</b>	<b>1999/2000 Services £'000</b>	<b>1999/2000 Corporate £'000</b>	<b>Full Year Effect £'000</b>
Education	784	141	1,051
Finance & Property	125	450	1,622
Leisure Services	27	10	56
Planning & Transportation	385	35	413
Public & Environmental Services	145	17	261
Social Services & Housing	-9	190	508
<b>Total</b>	<b>2,300</b>	<b>843</b>	<b>3,911</b>

### 3.2 Inflation

3.2.1 The base budget excludes the cost of inflation and the anticipated 1999 pay awards. However, the full year effect of the 1998 teachers' pay award, which included a staged increase in December 1998, is included in the Education Committee base budget.

#### a) *Price increases*

3.2.2 Strategy and Policy Committee considered what level to provide for inflation in 1999/2000. To inform the decision, a detailed exercise on inflation individual indices was undertaken. This indicated that an overall inflation rate of 2.8% should be applied, although the specific proportions range from -5% to 4.6% for individual items. Adding an average of 2.8% to non-pay budgets increased the Council's budget requirement by £0.738m.

3.2.3 Each Service Committee was, however, asked to explore the possibility of cash limiting budgets for running expenses as a means of reducing the provision for inflation. As a result, Committees have identified savings of £0.103m as shown in Table 5 below.

#### b) *Pay increases*

3.2.4 The teachers' pay award for 1999/2000 was announced on 1 February 1999 and resulted in average increases nationally of 3.6%. Within this, teachers will receive a 3.5% increase, with headteachers receiving on average 6%. Whilst the award for teachers takes effect from 1 April the headteachers' award takes effect from 1 September. This means that the full year cost of the pay award is estimated to be 3.7%.

- 3.2.5 As a result of increasing pressure on school finances and the priority given by the Government and the Council to education the Strategy and Policy Committee decided to fund the teachers' pay award in full. This approach adds £0.873m to the Education Committee's budget in 1999/2000 with a further £0.025m required in 2000/01.
- 3.2.6 In the case of non-teaching staff, national negotiations are still underway and will not be concluded before March 1999. In 1998/99, the cost of the pay award was absorbed by adopting managed vacancy factors. The current levels of managed vacancy rates remain sustainable but it would not be prudent to increase them. Consequently it was agreed that 3% should be added to non-teaching pay budgets for all committees. This adds a further £0.863m to the budget requirement.
- 3.2.7 Table 5 draws together all of the changes relating to price and pay inflation for each Committee.

Table 5: Calculated Inflation Provision

<b>Committee</b>	<b>Gross Provision £'000</b>	<b>Cash Limited £'000</b>	<b>Net Requirement £'000</b>
Education	1,260	-4	1,256
Finance & Property	229	-15	214
Leisure Services	97	-32	65
Planning & Transportation	215	-19	196
Public & Environmental Services	178	-17	161
Social Services & Housing	495	-16	479
<b>Total</b>	<b>2,474</b>	<b>-103</b>	<b>2,371</b>

#### 3.4 Economies and Additional Income

- 3.4.1 On 6 January, the Strategy and Policy Committee also asked Service Committees to consider good housekeeping/efficiency measures which might be possible to allow the Council to set an affordable budget. Each Service Committee consequently put forward proposals for economies which are shown in Annexe C. This annexe includes an additional economy of £0.065m for the Education Committee, approved by the Strategy and Policy Committee on 16 February 1999, to reflect the lower than anticipated number of pupils in schools identified in the January pupil count.
- 3.4.2 Committees were also asked to consider where additional funds may be raised through a review of fees and charges. These are shown in Annexe D. The total economies and additional income identified by Committees are summarised in the following tables.

Table 7: Identified Economies

<b>Committee</b>	<b>1999/2000 £'000</b>	<b>Full Year Effect £'000</b>
Education	-205	-229
Finance & Property	-152	-145
Leisure Services	0	0
Planning & Transportation	-110	-110
Public & Environmental Services	-128	-128
Social Services & Housing	-305	-448
<b>Total</b>	<b>-900</b>	<b>-1,060</b>

Table 8: Additional Income

<b>Committee</b>	<b>1999/2000 £'000</b>	<b>Full Year Effect £'000</b>
Education	-18	-30
Finance & Property	-25	-25
Leisure Services	-136	-136
Planning & Transportation	-25	-25
Public & Environmental Services	-63	-63
Social Services & Housing	-10	-10
<b>Total</b>	<b>-277</b>	<b>-289</b>

3.4.3 Taken together these items will relieve the budget pressures being experienced by £1.177m in 1999/2000 and by £1.349m in a full year.

#### **4 Other Budget Issues**

4.1 In addition to Service Committee's budgets, the Council has budgets in respect of a number of other items which make up part of the overall budget requirement. These are set out in the following paragraphs, and total £0.790m.

a) *Housing Revenue Account Negative Subsidy*

The statutory calculation for Housing Subsidy results in additional income to the General Fund. When there is a notional surplus on the Housing Revenue Account, the HRA is required to make a payment to the General Fund. This is estimated to be £6.436m in 1999/2000.

b) *Debt Charges*

Berkshire County Council's loan debt, which is managed by Reading Borough Council, will have a total value outstanding at 31 March 1999 of £206m. Responsibility for funding the interest and principal payments lies with each Council based on its share of the County's tax base. Bracknell Forest's share is, therefore, £28.260m. The total estimated charge for 1999/2000 is £3.456m (a reduction of £0.241m on the current year).

c) *Levying Bodies*

Four organisations levy charges upon the Council which must be included within the budget. The amount that each has indicated it will require from the Council is as follows.

Table 9: Levying Body Budget Requirements

	<b>£'000</b>
Royal Berkshire Fire Authority	2,705
Magistrates' Courts	110
Probation Service	195
Environment Agency	560
<b>Total</b>	<b>3,570</b>

d) *Contingency*

A number of items such as the costs of a particularly severe winter or other unforeseen/unpredictable items are excluded from detailed budgets as they cannot be accurately predicted. It is, therefore, necessary to make some allowance for such items within a contingency provision. The current year's budget includes a contingency of £0.5m to reflect the uncertainty in the Council's first year as a Unitary Authority.

Experience to date has shown the budget to be more robust than could have been expected with £0.35m remaining unspent. In setting the contingency provision for 1999/2000, Members therefore considered the need to provide flexibility for any unforeseen events during the year against the need to set an affordable budget that does not include "unnecessary" economies or an excessive tax rise. Taking these points together it recommended that the contingency provision for 1999/2000 be set at £0.2m.

## **6 Central Support Services**

- 6.1 In line with common accounting practice, the costs of central support services will be allocated to the direct services they support. Each service committee has received an indication of the level of its allocation, subject only to the inflation allocation given to the Finance and Property Sub-Committee which was included in Table 5. The budget summary included in this document (yellow pages) reflects these allocations.

## **7 Education Spending v Standard Spending Assessment**

- 7.1 The Council inherited a budget in 1998/99 in which spending on Education was £1.67m below the Education SSA. The Education SSA includes the Youth Service which is the responsibility of the Leisure Services Committee and corporate recharges. When setting the Budget for 1998/1999 the gap was reduced to £0.9m.



7.2 The Council's expenditure on items covered by the Education SSA in 1999/2000 will increase from £38.800m to £41.490m. This compares with the Education SSA of £41.560m. Overall, therefore, the budget takes spending on Education to £0.07m below SSA. However, the Department of the Environment, Transport and the Regions allocate any contingency included with the overall budget to service committees. Using this method inflates Education expenditure so that the Government's figures, which will be used in national comparisons, will show the Council's spending as being £0.032m above SSA.

## 8 Funding the Budget Proposals

### 8.1 Council Tax

8.1.1 The approved budget sets the Council's planned expenditure (including levying bodies) at £81.048m. This is £1.308m above SSA and is summarised in Table 10. In previous years, when the Council's capping limit was set at SSA, this gap between expenditure and SSA would need to be eliminated by a contribution from the Council's balances or by further expenditure reductions.

Table 10: Council Budget Requirement 1999/2000

	<b>£'000</b>
Education Committee	39,351
Finance & Property Committee	7,986
Leisure Services Committee	3,489
Planning & Transportation Committee	6,848
Public & Environmental Services Committee	5,300
Social Services & Housing Committee	17,284
Housing Revenue Account Negative Subsidy	(6,436)
Debt Charges	3,456
Levying Bodies	3,570
Contingency	200
<b>Total</b>	<b>81,048</b>

8.1.2 In the current year, the Government has not pre-announced the capping criteria which will be applied in 1999/2000, although it has given clear warnings that "excessive" Council Tax rises will not be tolerated. As indicated previously, the final settlement means that, in order to spend at the level of its SSA, the Council would need to increase Council Tax by 5.25%.

8.1.3 Each 1% increase in Council Tax could generate an additional £0.240m in income. However, the Government has set a limitation to the Council Tax Benefit Subsidy that means this is no longer the case. Increases in Council Tax above 5.25% will result in a small loss of subsidy. Table 11 sets out the resulting implications of increasing Council Tax by a greater amount than that required to finance spending at SSA.

Table 11: Illustration of the effect of increasing Council Tax by more than 5.25%

<b>Level of increase</b>	<b>Additional income</b>	<b>Loss due to subsidy limitation</b>	<b>Net yield</b>
	£'000	£'000	£'000
5.75%	119.7	1.2	118.5
6.25%	239.5	5.0	234.5
6.75%	359.2	11.2	348.0

## 8.2 Use of Balances

- 8.2.1 The Council needs to maintain reserves to aid cashflow and to protect itself from fluctuations in actual expenditure and income. An allowance for cashflow is reasonably easy to calculate. However, an allowance for variations against planned expenditure is more difficult. Given the maturity of the present organisation, the volatility that may be present in its commitments and the relatively low level of contingency recommended in paragraph 4.1 (d), a minimum provision of 5% (£4m) is prudent.
- 8.2.2 In recommending the level of any contribution from balances, regard was taken to the level of balances available and the possible impact of any decision to reduce their level in future years. At 31 March 1998 the Council's general balances were £7.189m. In the current year it was planned that £1.406 million would be used to support the budget and that £0.5m would be used to support spending on the capital programme. Allied to other changes agreed by the Committee in October 1998, the general reserve at 31 March 1999 was estimated to be £5.227 million, subject to the 1998/99 outturn.
- 8.2.3 At the end of November, Quarterly Operations Reports indicated an overall underspending on the current year's budget of around £2.104m. Several months remain before the final figures are known and it is possible that adverse variations will appear as the accounts are closed for the first year of operation as a Unitary Authority. Taking this into account, it is prudent to assume that the current year's budget will underspend by around £1.25m and that this amount will be added to balances.
- 8.2.4 As indicated above, in 1998/99 it was planned to finance £0.5m of capital expenditure from revenue reserves. The Strategy and Policy committee on 16 February 1999 recommended that this provision for capitalised maintenance be funded instead from capital receipts to provide more flexibility in the future by retaining the revenue balances.
- 8.2.7 Taking these matters into account, the general reserve at 31 March 1999 would be £6.977m, allowing £2.977m to support revenue expenditure before the minimum prudent balance is reached. Members recognised that the impact of using these balances in support of revenue expenditure would be the loss of interest of £0.150m from the base budget. In addition, funding ongoing expenditure within the 1999/2000 revenue budget from balances will increase the level of savings that are likely to be required in subsequent years from within the base budget. In the light of this it was agreed that £1.129m of the available balances should be used in support of the Revenue Budget in 1999/2000.

## 9 **Collection Fund**

- 9.1 The Collection Fund is the account, which holds all revenues produced from local taxes and pays to each Local Authority the cash required to cover its precepts. Any surplus/deficit on this Fund must be added to the calculation of the Budget Requirement for the next year, although this is over and above the limitations set by SSAs and any capping limit that might be imposed. It is, however, estimated that there will be no significant balance remaining on the Council's Collection Fund at the end of the financial year.

## **10 Council Tax 1999/2000**

- 10.1 The following Table outlines the Council's budget requirement based upon the figures shown in this report. The resulting Council Tax for Bracknell Forest at Band "D" was set at £617.46 which represents an increase of 5.9% over the 1998/99 tax level. A more detailed summary for each Committee is given within the yellow pages of this document. A full breakdown of each Service Committee's budget will be submitted to Committees in the March/April 1999 cycle.

## BUDGET SUMMARY STATEMENT

	1998/99 £'000	1999/2000 £'000
<b>Bracknell Forest's Expenditure</b>		
Education	36,974	40,422
Finance & Property **	7,067	2,463
Leisure Services	3,838	4,267
Planning & Transportation	6,731	8,451
Public & Environmental Services	5,297	6,127
Social Services & Housing	16,414	18,528
<b>Sub-Total</b>	<b>76,321</b>	<b>80,258</b>
<b>Non Committee Expenditure</b>		
Contingency provision	500	200
Housing Revenue Account	(5,800)	(6,436)
Reading Borough Council - Debt	3,697	3,456
Levying Bodies	3,364	3,570
Capital Financing Items (Net)	500	Nil
Community Care Special Transition	(558)	Nil
<b>Sub-Total</b>	<b>76,321</b>	<b>81,048</b>
Movement in General Fund Balances	(1,906)	(1,129)
<b>Council's Budget Requirement</b>	<b>76,118</b>	<b>79,919</b>
Less – External Support		
National Non-Domestic Rates	25,947	28,245
Revenue Support Grant	26,536	26,290
Revenue Support Grant (prior year adjustment)		28
Collection Fund Adjustment	21	Nil
Contribution to Council Tax Benefit Subsidy	Nil	(3)
<b>Council's Total Requirement on the Collection Fund</b>	<b>23,614</b>	<b>25,359</b>
<b>Collection Fund</b>		
Bracknell Forest's Requirement	23,614	25,359
Divided by the Council Tax Base ('000)	40.5	41.07
	<b>£</b>	<b>£</b>
<b>Council Tax at Band D [excluding TVPA and Parish Councils]</b>	<b>583.06</b>	<b>617.46</b>

\*\* 1999/2000 figure is net of cost of central support services which are charged to Service Committees.

## EDUCATION COMMITTEE

## SERVICE DEVELOPMENTS &amp; BUDGET PRESSURES

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
<u>Demographic</u>		
<b>* Pupils in mainstream schools</b>	-	-
<b>Kennel Lane Special school</b> – a further 3 places are expected to be required at the school.	28	
<b>Non-LEA special schools</b> – a net increase above current levels of one placement per year is anticipated.	30	
<b>SEN pupils in mainstream schools</b> – it is anticipated that there will be a net monthly increase of 3 pupils in mainstream schools.	50	42
<b>Sub-Total</b>	<b>108</b>	<b>42</b>
<u>Legislative</u>		
<b>Land Fill Tax</b> – 42% increase in cost of waste disposal at landfill sites from April 1999.	10	
<b>Class size reduction</b> – Variance between indicative grant approval and indicative allocations to schools for implementing the policy that will ensure a maximum of 30 pupils per teacher at Key Stage 1.	58	50
<b>Additional staffing</b> – to enable a response to the government initiatives included in the School Standards and Framework, Teaching and Higher Education, and Crime and Disorder Acts.	68	
<b>Sub-Total</b>	<b>136</b>	<b>50</b>
<u>Other</u>		
<b>Standards Fund</b> – DfEE intends to increase grant approvals through the Standards Fund; the LEA is required to match the funding. In order to maximise grant income, corresponding funding is required.	260	
<b>Rhos-Y-Gwaliau</b> – BFBC contribution to joint funding agreed by all other Berkshire Unitary Authorities for provision of outdoor education.	10	
<b>** Key Stage 2 Additional Funds</b> – Additional funds are to be allocated to Primary Schools through the Age Weighted Pupil Unit (AWPU) to support the higher costs associated with these pupils.	270	
<b>Sub-Total</b>	<b>540</b>	<b>0</b>
<b>Total</b>	<b>784</b>	<b>92</b>

\* Originally projected to increase by 69 FTE pupils at a cost of £0.085m in 1999/2000 and £0.205m in a full year. The pupil count undertaken in January 1999 indicates a reduction in pupil numbers, hence this budget pressure is not required.

\*\* Not originally quantified.

## SERVICE DEVELOPMENTS &amp; BUDGET PRESSURES

## FINANCE AND PROPERTY SUB COMMITTEE

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
<b>Year 2000</b> – 3 Additional temporary staff required to implement the strategy to ensure compliance of IT and other equipment.	100	-100
<b>Member's Allowances</b> – Responding to probable budget overspend in the current year.	25	
<b>Total</b>	<b>125</b>	<b>-100</b>

## LEISURE SERVICES COMMITTEE

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
<b>Libraries</b> – Additional resources to enable the Council to respond to the significant current and planned increase in information for the public via electronic means. Links to the Web/Intranet and national pressures outlined in the recent “ Building the Public Library Network” report cannot be delivered with the existing resources.	27	
<b>Total</b>	<b>27</b>	<b>0</b>

**PLANNING AND TRANSPORTATION COMMITTEE**  
**SERVICE DEVELOPMENTS & BUDGET PRESSURES**

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
<u>Demographic</u> <b>Additional highway adoptions</b> New business and housing developments and the need for new roads to service these, continually puts pressure on the Authority's resources particularly in service areas such as street lighting, gully cleansing and verge maintenance.	25	
<b>Sub-Total</b>	<b>25</b>	<b>0</b>
<u>Other</u> <b>Highway maintenance and management –</b> An increase to redress under funding of these essential elements of the service.		
Traffic management	10	
Surface dressing	20	
Patching/Footpaths/Cycleways	40	
Road markings	10	
Verges	20	
Road Safety	20	
<b>Major projects (Town Centre/major housing sites) –</b> Additional professional support; 2 members of staff, short term contracts	40	-40
<b>Engineering support for revenue schemes –</b> The focus of the work in the section has moved from Capital to Revenue Works with the advent of local transport plans and the effects of highway work in association with the town centre schemes.	50	
<b>Concessionary Fares –</b> Introduction of revised concession.	150	
<b>Sub-Total</b>	<b>360</b>	<b>-40</b>
<b>Total</b>	<b>385</b>	<b>-40</b>

**PUBLIC AND ENVIRONMENTAL SERVICES COMMITTEE**  
**SERVICE DEVELOPMENTS & BUDGET PRESSURES**

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
<u>Demographic</u>		
Bracknell Forest has been a growth area for several years and it is anticipated that this growth will continue into the foreseeable future. Growth such as this is not easy to predict, but in order to give an indication of the sort of financial pressure this authority is likely to face over the next two years the following estimates have been calculated based on current and previous experience.		
<b>Refuse Collection</b> – additional number of bins	11	11
<b>Street Cleansing</b> – additional road lengths	9	9
<b>Amenity Maintenance</b> – additional areas of land	15	15
<b>Waste Disposal</b> – additional tonnes of waste	50	50
<b>Sub-Total</b>	<b>85</b>	<b>85</b>
<u>Legislative</u>		
<b>Contaminated Land / Air Quality Management</b>	25	
Implementation of new regulations relating to the control of contaminated land, and responsibilities in relation to local air quality management.		
<b>Sub-Total</b>	<b>25</b>	<b>0</b>
<u>Other</u>		
<b>Energy Conservation</b> – the Council has under the provisions of the Home Energy Conservation Act to fulfil various duties in relation to the management of energy use. Good progress is being made in relation to the Council's own stock yet progress is slow in the private sector. In order to address this and in accordance with the Council's commitment to energy conservation it is proposed to create a full post on a two year fixed term contract.	15	
<b>Health and Safety</b> – The total resource responsible for managing the corporate response to Health & Safety is 1.5 FTE's. Whilst good progress has been made, it is not possible to provide e.g. the necessary training and support to ensure the effective implementation of policy. It is therefore proposed to create a full post on a two year fixed term basis.	20	
<b>Sub-Total</b>	<b>35</b>	<b>0</b>
<b>Total</b>	<b>145</b>	<b>85</b>



**SOCIAL SERVICES AND HOUSING COMMITTEE**  
**SERVICE DEVELOPMENTS & BUDGET PRESSURES**

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
<p><u>Demographic</u></p> <p><b>Increase in numbers of very elderly aged 85 years or more.</b> Local figures show approx. 155 people aged over 85 in residential or nursing home care (approx. 9.2%).</p> <p>The commitment budget already includes £167,000 for the increased number of placements based on a County Council estimate. These figures have been reviewed in light of the first few months of experience as a unitary authority and taking account of local demographic estimates. Consequently the figure for 1999/2000 has been revised as shown. The estimate for 2000/01 will be reviewed during the next financial year in light of experience in that year.</p>	-61	106
<p><b>Ageing Carers of People with Learning Disabilities</b></p> <p>Medical advances in the 50's and 60's led to increasing numbers of disabled children surviving infancy. These people are now in their 30's and 40's and cared for by increasingly elderly parents. Provision for an additional 5 residential placements per year is required on the basis of currently known demand.</p>	2	130
<p><u>Other</u></p> <p><b>Quality Protects initiatives</b></p> <p>The publication of guidance on this initiative has been delayed. Since the Service Committee considered this pressure it has become known that this will be covered by grant.</p>	-	
<p><b>Finance Team</b></p> <p>Initial estimates of the additional tasks to be taken on from the provider side of the former BCC Social Services and from county level have proved to be inadequate. Internal Audit recently concluded a study of certain areas of the team and concluded that increased scrutiny of payments to independent sector contractors is required as a matter of urgency.</p>	38	
<p><b>Housing Advice</b></p> <p>An additional post is required to meet the Housing Act 1996's requirements for provision for housing advice. Half the post could be funded from the HRA.</p>	12	
<b>Total</b>	<b>-9</b>	<b>236</b>

## CORPORATE BUDGET PRESSURES

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
<u>Legislative</u>		
<b>Crime &amp; Disorder Act</b> - requires local authorities, in partnership with Police, Health and Probation to establish new Youth Offending Teams.	85	98
<b>NHS Health White Paper &amp; Healthier Nation Green Paper</b> – requires local authorities to support to the New Primary Care Groups and contribute to the development and planning of a local Health Improvement Programme and Joint Investment Programmes.	43	
<b>National Insurance</b> - Significant changes to the calculation of national insurance contributions for employers will be introduced in April 1999	-78	
<b>Sub-Total</b>	<b>50</b>	<b>98</b>
<u>Other</u>		
<b>Single status agreement</b> - From 1 April 1999 most employees covered by the National Joint Council for Local Government Employees will work a standard 37 hour week their pay will remain unchanged.	260	
<b>Smartcards</b> – The Council has agreed to investigate this initiative.	150	
<b>Increased Pension Contributions</b> – Increases arise from the change to Advance Corporation Tax and the severance costs arising from LGR.	224	224
<b>Harmonisation of Pay Dates</b> The Council agreed to that pay dates for all employees will be the last working day of the month from 1 April.	-29	
<b>Harmonisation of grading structures</b> The Council currently operates two separate grading structures alongside each other. In some cases are staff doing directly comparable jobs but paid different amounts.	48	16
<b>Interest Rates</b> - The current budget includes an estimated £5m in income from interest on investments, at a rate of 7%. Recently interest rates have fallen to 5.5% and are expected to continue to fall.	140	1,000
<b>Sub-Total</b>	<b>793</b>	<b>1,240</b>
<b>Total</b>	<b>843</b>	<b>1,338</b>

## Impact of Corporate Pressures on Service Committees

	Education	Finance & Property	Leisure Services	Planning & Transportation	Public & Environmental Services	Social Services & Housing
	£000	£000	£000	£000	£000	£000
Crime & Disorder Act	-	85	-	-	-	-
NHS Papers	-	43	-	-	-	-
National Insurance	47	-	-30	-4	-1	-90
Single Status	60	12	20	6	4	158
Smartcards	-	150	-	-	-	-
Pension contributions	34	49	19	33	14	75
Pay date harmonisation		-29				
Grade harmonisation	-	-	1	-	-	47
Interest	-	140	-	-	-	-
<b>Total</b>	<b>141</b>	<b>450</b>	<b>10</b>	<b>35</b>	<b>17</b>	<b>190</b>

## EDUCATION COMMITTEE

## BUDGET ECONOMIES

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
<b>Multicultural services</b> – discontinue service provision that is not supported by grant subsidy.	-5	
<b>Claims excess insurance subsidy</b> – delete central budgetary provision to reimburse schools for excess payments resulting from claims for theft of cash.	-3	
<b>Recruitment and retention</b> – all inherited BCC commitments have now expired.	-2	
<b>Joint use agreements</b> – reduce general provision for building repairs and maintenance.	-2	
<b>Placements in out-Borough SEN establishments</b> – future provision to be provided at College Hall Pupil Referral Unit.	-24	-6
<b>Provision of Free School Meals</b> – continued reduction in entitlement as number of families on income support continues to decline.	-10	
<b>Education Department</b> – various savings to non-staffing central budgets.	-30	
<b>Student Awards</b> – allocations for major and minor awards to be reduced.	-20	
<b>Language and Literacy Units</b> – rationalise existing service delivery by merging units. (Excludes possible redundancy costs).	-24	-18
<b>Adult Education</b> – full year effect savings on the September 1998 contract.	-20	
* <b>Pupils in mainstream schools</b> – the January 1999 pupil count indicates a reduction in pupil numbers	-65	
<b>Total</b>	<b>-205</b>	<b>-24</b>

\* Based on information available only after the Education Committee considered its budget report.

## FINANCE AND PROPERTY SUB COMMITTEE

## BUDGET ECONOMIES

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
SSA Consultant – Need for external support on SSA work no longer exists given the establishment of Audit & Technical section.	-10	
Payroll (Reduced unit price plus staff saving) – Reduction in unit price as a result of merging payrolls and awarding a 5 year contract to Cumbria County Council	-7	-23
Youth Training Scheme – One off transfer of accumulated surpluses into revenue budget allied to introduction of appropriate recharging for accommodation etc.	-40	30
Rationalise Investment Fund Managers – Undertake short-term investment in-house which consistently out-perform one existing Fund Manager.	-10	
Town and Country sponsorship.	-15	
Document Image Processing – Deletion of leasing costs resulting from implementation of new scheme as part of 1998/99 Capital programme.	-15	
Consultant's Budget – Reduction in the £100,000 allocated for employment of consultants to undertake one-off, value for money studies.	-25	
Law Library / Legal Section – General reduction in running expenses.	-5	
Internal Audit contract savings – Reduction in number of days included in external contract to deliver agreed audit plan.	-25	
<b>Total</b>	<b>-152</b>	<b>7</b>

## BUDGET ECONOMIES

## LEISURE SERVICES COMMITTEE

Description	Financial Impact	
	1999/2000	2000/2001
None.	£000	£000
<b>Total</b>	<b>0</b>	<b>0</b>

The Leisure Services Committee generates a significant source of revenue from fees and charges. and economies for this Committee come in the form of additional income (see Annexe C).

## PLANNING AND TRANSPORTATION COMMITTEE

Description	Financial Impact	
	1999/2000	2000/2001
Reduce budget for routine office management costs. Babtie fee reduction in final year of contract.	£000 -10 -100	£000
<b>Total</b>	<b>-110</b>	<b>0</b>

## PUBLIC AND ENVIRONMENTAL SERVICES COMMITTEE

Description	Financial Impact	
	1999/2000	2000/2001
<b>Contract Management</b> – A more vigorous approach to the management of the major contracts has enabled price increases to be absorbed within existing budgets.	£000 -69	£000
<b>Admin Fee on Imported Waste</b> – Wokingham and Windsor & Maidenhead deliver 40,000 tonnes of waste per annum to Longshot Lane. Bracknell Forest arrange and charge for the final disposal of this waste. It is proposed to increase the administrative charge for providing this service by 17.5p per tonne.	-9	
<b>Salary Charge Against Capital Schemes</b> – Public and Environmental Services has a capital programme of £751,000. Many of the individual projects are managed from within the Department and it is appropriate to recharge for associated staff time and overheads.	-20	
<b>General Economies</b> – a range of small economies to be introduced over many departmental budgets.	-30	
<b>Total</b>	<b>-128</b>	<b>0</b>

## SOCIAL SERVICES AND HOUSING COMMITTEE

## BUDGET ECONOMIES

Description	Financial Impact	
	1999/2000 £000	2000/2001 £000
<b>Review of staffing in Support Services</b> - three posts, all of which are vacant, are proposed to be deleted.	-74	
<b>Rationalisation of transport arrangements</b> – This relates to lower than anticipated usage having shifted from Countywide services.	-25	
<b>General economies in Adult Services</b> – These relate to small sums being reduced from agency staffing, provisions, personal needs and domestic hours.	-57	
<b>General economies in Children Services</b> – These relate to small sums being reduced from agency staffing, provisions, personal needs, domestic hours.	-28	
<b>Revisions to use of properties for homeless</b> – Achievable through the use of existing vacant properties and linked with reprovision of Banbury using Glenfield House.	-27	
<b>Reduction in administration costs of Housing Benefits section</b> – This saving can be made based on a higher level of external funding from the Department of Social Security.	-39	
<b>Reduce current commitment to the joint arrangement on training</b> – This is a joint arrangement with Windsor and Maidenhead to provide a range of training opportunities in conjunction with other unitary authorities. Some of this could be provided by our in-house team.		-10
<b>Home Care</b> – block contract 40% of service. This service is currently provided through a mixture of in-house Home Care and external providers. 40% of the budget is spent in spot purchase arrangements, which could be negotiated as part of block contracts with a number of specified providers.	-22	-23
<b>Berksability</b> – This is a joint arrangement with the other five unitary authorities for the purchase, store and delivery of aids to daily living for disabled people. Bracknell Forest would provide through our own resources at the end of the current agreement.		-8
<b>Adoption Advice Service</b> – withdraw from joint arrangement at end of contract and reprovide.		-12
<b>Home Care</b> – one off saving in 1999/00 due to current vacancy rate	-30	+30
<b>Homes for Older People</b> – Negotiate a service agreement with an independent sector provider to manage the Borough's two homes for Older People.	-3	-120
<b>Total</b>	<b>-305</b>	<b>-143</b>

**FEES & CHARGES**  
(Additional income above inflation)

**EDUCATION COMMITTEE**

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
School Meals The Department has managed to negotiate with the contractor (Initial Catering), that from September, a cash return will be made to the LEA based on total turnover	-18	-12
<b>Total</b>	<b>-18</b>	<b>-12</b>

**FINANCE AND PROPERTY SUB COMMITTEE**

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
Land Charges – Increase fees by 10% (7% real increase) per annum from current base of £90.	-25	
<b>Total</b>	<b>-25</b>	<b>0</b>

**LEISURE SERVICES COMMITTEE**

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
Bracknell Sports and Leisure Centre – Increased charges for Courses and swimming.	-30	
Additional income from Easthampstead Park Conference Centre.	-50	
Increased income from re-letting of Horseshoe Lake contract.	-5	
New swimming courses at Bracknell Sports and Leisure Centre	-12	
Look Out - Increased charges and usage	-25	
Libraries - Increased charges.	-10	
Edgbarrow/Sandhurst Sports Centres – Increased charges	-4	
<b>Total</b>	<b>-136</b>	<b>0</b>

**FEES & CHARGES**  
(Additional income above inflation)

**PLANNING AND TRANSPORTATION COMMITTEE**

Description	Financial Impact	
	1999/2000	2000/2001
Increase in charges in respect of highway adoptions and highway advice in connection with development proposals. (see Annex E1)	£000 -25	£000
<b>Total</b>	<b>-25</b>	<b>0</b>

**PUBLIC AND ENVIRONMENTAL SERVICES COMMITTEE**

Description	Financial Impact	
	1999/2000	2000/2001
Existing Fees and Charges – Effect of increase in scale of existing fees and charges on a range of pest control treatments and other services.	£000 -20	£000
Increased Cremation Fee – Proposed increase of £35 to £250 based on 1,500 cremations per year.	-43	
<b>Sub-Total</b>	<b>-43</b>	<b>0</b>
<b>Total</b>	<b>-63</b>	<b>0</b>

**SOCIAL SERVICES AND HOUSING COMMITTEE**

Description	Financial Impact	
	1999/2000	2000/2001
<b>Home Care</b> – Raise maximum weekly charge by 10% to £220 per week. This maximum charge only applies to those with considerable means assessed to pay at this level after financial assessment. The level of maximum charge remained unchanged by the County Council for six years.	£000 -10	£000
<b>Total</b>	<b>-10</b>	<b>0</b>



## General Fund Revenue Budget Summary

	1999/2000
	Budget
	£'000
<b><u>Service Committees</u></b>	
Education	40,422
Finance and Property	2,463
Leisure Services	4,267
Planning and Transportation	8,451
Public and Environmental Services	6,127
Social Services and Housing	18,528
<b>Sub-total</b>	<b>80,258</b>
<b><u>Non Committee Expenditure</u></b>	
Housing Revenue Account	6,436Cr
Reading Borough Council – Debt	3,456
Levying Bodies	3,570
Special Contingencies	200
<b>Sub-total</b>	<b>81,048</b>
Use of General Fund Balances (Cr)	1,129Cr
<b>Bracknell Forest's Budget Requirement</b>	<b>79,919</b>
<b><u>Less External Support</u></b>	
National Non-Domestic Rates	28,245
Revenue Support Grant	26,290
Revenue Support Grant (Prior year adjustment)	28
Council Tax - Limitation of Benefits Subsidy	3Cr
<b>Total External Support</b>	<b>54,560</b>
<b>Bracknell Forest's Total Requirement on the Collection Fund</b>	<b>25,359</b>
Bracknell Forest's Requirement divided by the Council Tax Base	25,359 41.07
<b>Council Tax at Band 'D'</b>	<b>£617.46</b>

## Education Committee

	Base Budget	Pressures	Economies & Additional Income	1999/2000 Budget
	£'000	£'000	£'000	£'000
<b><u>Summary of Services</u></b>				
Pre-Primary Education	5	-	-	5
Primary Education	14,426	359	24Cr	14,761
Secondary Education	14,032	27	65Cr	13,994
Special Education	1,084	30	-	1,114
Special Education - Other	1,802	30	-	1,832
Education Otherwise than at School	329	-	24Cr	305
Adult Education	220	-	20Cr	200
Continuing Education	128	-	20Cr	108
Service Management and Support Services				
- Pupils and Families	1,907	-	5Cr	1,902
- Support For Standards	1,021	301	-	1,322
- School Support	645	-	6Cr	639
- Services Provided under Contract	384	-	30Cr	354
Arrangements				
- Management Services	1,410	37	29Cr	1,418
Holding Accounts	-	-	-	
<b>Net Cost of Services</b>	<b>37,393</b>	<b>784</b>	<b>223Cr</b>	<b>37,954</b>
<b>Inflation Provision</b>				1,256
<b>Corporate Budget Pressures</b>				
- National Insurance				47
- Single Status				60
- Pension Contributions				34
<b>Central Services Recharged</b>				1,071
<b>Net Cost to General Fund Summary</b>				<b>40,422</b>

## Finance and Property Sub-Committee

	Base Budget	Pressures	Economies & Additional Income	1999/2000 Budget
	£'000	£'000	£'000	£'000
<b><u>Summary of Services</u></b>				
Corporate and Democratic Core	1,516	20	80Cr	1,456
Registration of Electors	116	-	-	116
Conducting Elections	23	-	-	23
Local Tax Collection	431	-	-	431
Corporate Property	756Cr	-	-	756Cr
General Grants, Bequests and Donations	369	-	-	369
Local Land Charges	315Cr	-	25Cr	340Cr
Registration of Births, Deaths and Marriages	22	-	-	22
Emergency Planning	10	-	-	10
Other Services	262	-	-	262
Interest and Investment Income	249Cr	-	10Cr	259Cr
<b><u>Corporate Services</u></b>				
Administrative Services	1,183	5	-	1,188
Finance	2,040	-	57Cr	1,983
Information Technology	1,897	100	-	1,997
Personnel	518	-	-	518
Legal	675	-	5Cr	670
Office Accommodation	1,442	-	-	1,442
Central Depot	231	-	-	231
<b><u>Holding Accounts</u></b>				
Vehicles & Plant Overheads	107Cr	-	-	107Cr
Contingency	114Cr	-	-	114Cr
<b><u>Recharges to Non-General Fund Services</u></b>				
- Housing Revenue Account	1,252Cr	-	-	1,252Cr
- Direct Labour/Services Organisations	368Cr	-	-	368Cr
- Capital	200Cr	-	-	200Cr
<b>Net Cost of Services</b>	<b><u>7,374</u></b>	<b><u>125</u></b>	<b><u>177Cr</u></b>	<b><u>7,322</u></b>
<b>Inflation Provision</b>				214
<b><u>Corporate Budget Pressures</u></b>				
- Crime and Disorder				85
- NHS White Paper & Healthier Nation Green Paper				43
- Single Status				12
- Smartcards				150
- Pension Contributions				49
- Harmonisation of Pay Dates				29Cr
- Interest Rates				140
<b>Central Services Recharged to Committees</b>				<b><u>5,523Cr</u></b>
<b>Net Cost to General Fund Summary</b>				<b><u>2,463</u></b>

## Leisure Committee

	Base Budget	Pressures	Economies & Additional Income	1999/2000 Budget
	£'000	£'000	£'000	£'000
<b><u>Summary of Services</u></b>				
Culture and heritage	814	-	25Cr	789
Recreation, Sports and Leisure	669	-	101Cr	568
Tourism	28	-	-	28
Libraries	1,077	27	10Cr	1,094
Leisure Service Management and Support Services	213	-	-	213
Youth and Community Service	613	-	-	613
Y&C Service Management and Support Services	177	-	-	177
Contingency	68Cr	-	-	68Cr
<b>Net Cost of Services</b>	<b><u>3,523</u></b>	<b><u>27</u></b>	<b><u>136Cr</u></b>	<b><u>3,414</u></b>
<b>Inflation Provision</b>				65
<b>Corporate Budget Pressures</b>				
- National Insurance				30Cr
- Single Status				20
- Pension Contributions				19
- Grade Harmonisation				1
<b>Central Services Recharged</b>				778
<b>Net Cost to General Fund Summary</b>				<b><u>4,267</u></b>

## Planning and Transportation Committee

	Base Budget	Pressures	Economies & Additional Income	1999/2000 Budget
	£'000	£'000	£'000	£'000
<b><u>Summary of Services</u></b>				
Building Control	85Cr	-	-	85Cr
Development Control	161	-	-	161
Environmental Initiatives	1	-	-	1
Planning Policy	624	-	-	624
Service Strategy and Regulation	-	-	-	-
Service Management and Support Services	771	-	10Cr	761
Public Transport Support	553	150	-	703
Public Transport Co-ordination	90	-	-	90
Highways Maintenance	3,136	125	125Cr	3,136
Other Services	88	20	-	108
Central Support Services				
- Construction and Property	138	-	-	138
- Valuers	190	-	-	190
- Engineers	557	90	-	647
- Procurement Services	143	-	-	143
<b>Net Cost of Services</b>	<b><u>6,367</u></b>	<b><u>385</u></b>	<b><u>135Cr</u></b>	<b><u>6,617</u></b>
<b>Inflation Provision</b>				196
<b>Corporate Budget Pressures</b>				
- National Insurance				4Cr
- Single Status				6
- Pension Contributions				33
<b>Central Services Recharged</b>				1,603
<b>Net Cost to General Fund Summary</b>				<b><u>8,451</u></b>

## Public and Environmental Services Committee

	Base Budget	Pressures	Economies & Additional Income	1999/2000 Approved Budget
	£'000	£'000	£'000	£'000
<b><u>Summary of Services</u></b>				
Cemeteries, crematoria & mortuary service.	54Cr	-	43Cr	97Cr
Environmental health	524	45	20Cr	549
Trading Standards	207	-	-	207
Waste Collection	1,160	20	-	1,180
Waste Disposal	2,077	50	9Cr	2,118
Service Strategy and Regulation	11	-	-	11
Service Management and Support Services	680	-	20Cr	660
Emergency Planning	14	-	-	14
Amenity Maintenance	1,060	15	-	1,075
Environmental Initiatives	201	15	-	216
Other Services	749Cr	-	-	749Cr
Contingency	71	-	99Cr	28Cr
Other Trading Surpluses and Deficits	34Cr	-	-	34Cr
<b>Net Cost of Services</b>	<b><u>5,168</u></b>	<b><u>145</u></b>	<b><u>191Cr</u></b>	<b><u>5,122</u></b>
<b>Inflation Provision</b>				161
<b>Corporate Budget Pressures</b>				
- National Insurance				1Cr
- Single Status				4
- Pension Contributions				14
<b>Central Services Recharged</b>				827
<b>Net Cost to General Fund Summary</b>				<b><u>6,127</u></b>

## Social Services and Housing Committee

	Base Budget	Pressures	Economies & Additional Income	1999/2000 Budget
	£'000	£'000	£'000	£'000
<b><u>Summary of Services</u></b>				
Children and Families	4,148		41Cr	4,107
Elderly	5,086	59Cr	81Cr	4,946
People with Physical/Sensory Disabilities	1,465	-	24Cr	1,441
People with Learning Disabilities	3,087	-	24Cr	3,063
People with Mental Health Needs	918	-	1Cr	917
Service Strategy and Regulation	61	-	-	61
Service Management and Support Services	1,560	38	74Cr	1,524
<b>Social Services</b>	<b>16,325</b>	<b>21Cr</b>	<b>245Cr</b>	<b>16,059</b>
Housing Enabling Activities	2	-	-	2
Private Sector Housing	31	-	-	31
Homelessness	205	12	27Cr	190
Other Council Property	2Cr	-	-	2Cr
Housing Benefits	342	-	-	342
Housing Revenue Account - Shared Facilities	14	-	-	14
Service Strategy and Regulation	101	-	-	101
Service Management and Support Services	62	-	-	62
<b>Housing Services</b>	<b>755</b>	<b>12</b>	<b>27Cr</b>	<b>740</b>
Contingency	160Cr	-	4Cr	164Cr
Holding Accounts				
- Benefits Administration	182	-	39Cr	143
- Stores Overheads	163Cr	-	-	163Cr
<b>Net Cost of Services</b>	<b>16,939</b>	<b>9Cr</b>	<b>315Cr</b>	<b>16,615</b>
<b>Inflation Provision</b>				479
<b>Corporate Budget Pressures</b>				
- National Insurance				90Cr
- Single Status				158
- Pension Contributions				75
- Grade Harmonisation				47
<b>Central Services Recharged</b>				1,244
<b>Net Cost to General Fund Summary</b>				<b>18,528</b>

# Summary of Budget Report to Social Services and Housing Housing Revenue Account Budget

## 1 General

- 1.1 The Strategy and Policy Committee considered the financial position facing the Council at its meeting on the 6 January. All Service Committees were asked to scrutinise their budgets for 1999/2000 carefully to identify essential service developments and opportunities to rationalise expenditure through a mixtures of good housekeeping and service reviews. This approach applies equally to the Housing Revenue Account and its budget has been prepared within this broad framework.

## 2 Approved Base Budget 1999/2000

- 2.1 Expenditure has been monitored monthly against the approved budget throughout the year. The position at the end of November was reported in January within the Social Services and Housing Committee's Quarterly Operations Report. At that time the probable outturn was predicted to be a net underspending of £0.470m, mainly due to additional interest received during the year compared to predicted levels.
- 2.2 When agreeing the budget for 1998/99 the Committee planned to generate a surplus of £0.539m. Annexe A1 shows the changes to the base budget that have occurred during 1998/99. This shows that after taking into account external influences outside the control of the Committee, the base position for the 1999/2000 Housing Revenue Account budget is a surplus of £0.043m.
- 2.3 The Housing Revenue Account was estimated to contain accumulated reserves of £1.461m at 31 March 1998. The majority of this surplus had been generated as a result of increases in interest rates in previous years. Taken with the budgeted surplus of £0.539m this allowed the Committee to agree to fund a capital window replacement programme of £1.7m from reserves without affecting the base budget.

## 3 Service Developments and Pressures

- 3.1 A list of the pressures and developments, which the Social Services and Housing Committee, is given in Annexe B1. The first three (relating to sales, interest and housing subsidy) are all outside the Committee's control whilst the £0.012m relating to Housing Advice is a consequence of decisions made in approving the General Fund budget. The total additional spending, for the items is £1.426m in 1999/2000 and £1.814m in a full year. Of these pressures the calculation of Housing Revenue Account subsidy and the impact of interest rate changes are particularly important and are dealt with below.

### 3.2 Housing Revenue Account Subsidy

- 3.2.1 The Housing Subsidy Determination is used to calculate a model Housing Revenue Account which determines the need for Central Government support for Housing. The Government uses this model to effect changes in rent levels in line with National Policy. If the model produces a deficit, the Council will attract a subsidy from the Government, whilst a surplus must be transferred to the General Fund.
- 3.2.2 Some values within the Housing Subsidy Determination are based on local data related to the number and type of Council Houses and the relevant value of capital receipts. The Council provides this data in annual returns. Data used in the 1999/2000 Determination is based on the returns for 1 April 1998.



- 3.2.3 The interest rate used in the model Housing Revenue Account is fixed to the Repo Rate on 30 September prior to the start of the financial year. However, the Housing Revenue Account receives interest based on actual rates achieved during the year. This means that in a year when interest rates rise, the Housing Revenue Account receives more interest than the model allows and less when rates fall. Over the long term, with fluctuations in the level of interest rates, the surpluses should be matched by deficits. However the short term distortions can be significant.
- 3.2.4 Rent rebates are also included within the model Housing Revenue Account based on the actual costs incurred. This is the only value that changes in the model Housing Revenue Account between the estimate and final calculation, depending on the number of claimants and the level of rents. For every 1% added to rents there is a £0.079m increase in rebates offset by a similar change in the subsidy.
- 3.2.5 The remaining values used in the subsidy calculation are determined by the Government and relate to standard rent levels and the allowance for Management and Maintenance. These values are subject to annual change reflecting Government Policy. The 1999/2000 subsidy calculation is based on an increase in rents of 3.5% and a reduction in the allowance for management and maintenance of 1%, giving an overall reduction in subsidy of 4.5%.
- 3.2.6 The following table compares the model Housing Revenue Accounts for 1998/99 and 1999/2000 before the effect of a rent increase in April 1999 on rebates.

	<b>1998/99</b>	<b>1999/2000</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Management	2,765	2,656	-109
Maintenance	3,532	3,409	-123
Rebates	8,307	7,916	-391
	14,604	13,981	-623
Rent	-16,521	-16,469	52
Interest	-3,883	-4,382	-499
	-20,404	-20,851	-447
Notional Surplus or (Negative Subsidy)	-5,800	-6,870	-1,070

- 3.2.7 Taking all of these factors into account, the subsidy calculation produces a surplus of £6.870m before any increase in rents. As indicated above, this means that a transfer must be made from the Housing Revenue Account to the General Fund for this sum, which is referred to as Negative Housing Subsidy. The change in negative subsidy compared to 1998/99 is made of two main elements. Firstly, rebates have reduced by £0.391m as a result of the falling number of applicants and the reduced qualifying amount of rebate which is dependent on the applicants income. The other values amounting to £0.679m are determined by the Government as a result of Council house sales, interest rate reductions etc.

### 3.3 Interest rates

- 3.3.1 The average interest rate was estimated to be 6.9% in 1998. However, but due to interest rate increases in the early part of the year and investment returns at greater than the market average it is likely to be 7.4%. This has produced an additional £0.39m income for the Housing Revenue Account in 1998/99 as shown in Annexe A1.
- 3.3.2 However, after taking account of the rapid reduction in interest rates experienced from September 1998, the average interest rate on the Council's investments for 1999/2000 is estimated to be 5.63%. This is based on the Repo rate at April 1999 being 5.5%, falling to 4.5% by March 2000 and, hence, averaging 5% throughout the year. Again, the rate achieved is expected to be higher than the average Repo rate because advantage was taken in 1998 of higher rates on fixed term investments with maturity dates late in 2000. Despite this, Annexe B1 shows the reduction in rates is likely to result in reduced income of £0.793m in 1999/2000. In subsequent years this pattern will be repeated until interest rates rise. Current projections suggest a further loss of interest of £0.397m in 2000/01.

## 4 **Inflation and Pay Award**

- 4.1 In 1998/1999 the Council contained wage inflation using a combination of managed staff vacancies, good house keeping and other economies. This is reflected in the Base Budget. However, it would not be prudent to continue this policy for another year. As a result, an inflation allowance has been calculated on the following basis in accordance with the strategy adopted for the General Fund.

Running Expenses	2.8%
Employees	3.0%

This adds £0.227m to the base budget.

## 5 **Net Deficit**

- 5.1 Taking all of these items into consideration, the Housing Revenue Account faces a net deficit in 1999/2000 of £1.610m as summarised below.

<b>Net Deficit</b>	<b>£'000</b>
Base Budget	-43
Service Developments and Budget Pressures	1,426
Inflation	227
<b>Total</b>	<b>1,610</b>

This deficit must be eliminated by an increase in rents, reductions in expenditure, the use of accumulated reserves within the Housing Revenue Account or a combination of the three approaches.

## **6 Working Balances and Reserves**

6.1 The reserves held in the Housing Revenue Account at 31 March 1998 were £1.549m. During 1998/99 the surplus is anticipated to be £0.902m (Annexe A1) meaning that, before application to capital schemes the reserves at 31 March 1999 would be £2.451m. The most significant contribution to the increased balances is the higher return from interest outlined above.

6.2 When agreeing the 1998/99 Housing Revenue Account budget, Members planned to apply £1.7m to finance a windows replacement programme. Of this, £1.1m will be spent by the end of this financial year. The improvement programme will continue during 1999/2000 and £0.6m is consequently included as an allocation from reserves. Taking this into account would leave £0.751m in available reserves at the end of 1998/99.

6.3 It is normally recommended that the minimum working balance within the Housing Revenue Account should be £0.3m, which is about 0.75% of the total turnover. However, before considering the level required in 1999/2000 the Committee considered particular pressures which will impact on the Housing Revenue Account in subsequent years. These are summarised in the following paragraphs.

### **a) Interest Rates**

The housing subsidy calculations outlined above identified the pressure created on the Housing Revenue Account because of changes in interest. This will reduce income by £1.19m during 1999/2000 and 2000/01 (Annexe B1). This means that a financial strategy is needed to avoid major fluctuations in rent levels and/or reductions in maintenance expenditure, particularly if rates continue to fall in the period beyond April 2000.

### **b) Changes to HRA Accounting**

The Government published a consultation document on Resource Accounting and its effects on the Housing Revenue Account in December 1998. Strategy and Policy Committee on 6 January 1999 was informed that this could result in the loss of negative housing subsidy which would have a substantial impact on the Council's overall financial position. Any financial strategy for the Housing Revenue Account must leave the Committee's options as flexible as possible until the publication of the proposed technical changes in summer 1999.

### **c) Capital Spending**

The Council's capital programme is under pressure as it is essentially dependent on the generation of new capital receipts. The Council's housing stock has received a substantial investment of capital expenditure from the General Fund in recent years and also benefits from planned expenditure of £4.85m from within the Housing Revenue Account. With capital resources becoming more limited relative to overall service demands, the Committee was aware that it will be necessary to carefully consider capital spending on all services.

Given that capital spending on housing can be financed from within the Housing Revenue Account, the Social Services and Housing Committee is well placed to plan and finance its overall programme with more limited support from the General Fund and a higher proportion of its capital requirements funded from within the Housing Revenue Account. This policy is in line with the proposals within the Government consultation document on Resource Accounting.

- 6.4 These three issues, together with the normal pressures of growing demands for services and inflation, suggest a need to develop a medium term financial strategy for the Housing Revenue Account that avoids large scale rent fluctuations and as far as possible, protects future maintenance expenditure. Consequently, the Committee decided to retain higher reserves than in previous years.
- 6.5 In order to increase the level of reserves, the Strategy and Policy Committee approved the capitalisation of the £1.1m expenditure in 1998/99 for the windows replacement programme. A technical side effect of this is a loss in interest by the General Fund of £0.07m and a gain of the same amount for the Housing Revenue Account. In the light of this, the discretionary transfer of DSO surpluses (£0.15m) was waived. The net effect of these decisions is to add £1.02m to Housing Revenue Account reserves in the current year and a further income of £0.070 in 1999/2000, reducing the deficit on the HRA in that year to £1.54m.
- 6.6 The total reserves available at the 31 March 1999, after the approval to capitalise, will be £1.771m. In the light of the demands on the budget and mindful of the need for the medium term strategy the Committee consequently approved an increase in rents of 5.5% from 1 April 1999. This level of increase requires a contribution from reserves of £0.596m to balance the Housing Revenue Account, leaving £1.175m to offset future increases and contribute to future maintenance expenditure in support of the Committee's financial strategy.
- 6.7 The following table shows the planned expenditure within the Housing Revenue Account.

<b>Housing Revenue Account</b>	<b>1998/99 Original Budget £'000</b>	<b>1998/99 Probable Outturn £'000</b>	<b>1999/00 Budget £'000</b>
Dwelling Rents	17,708	17,705	18,106
Non-dwelling Rents	1,084	1,067	1,043
Charges for Services	625	643	645
Contribution to Expenditure	14	19	19
Interest receivable	4,339	4,799	3,930
General Fund – Shared items within Community	228	232	222
Direct Labour Organisation – surplus	150	0	0
<b>Total Income</b>	<b>24,148</b>	<b>24,465</b>	<b>23,965</b>
Repairs and Maintenance	4,910	4,867	4,850
General Management	2,282	2,325	2,334
Special Services	2,038	2,088	2,108
Rents, Rates and Taxes	278	278	278
Inflation	0	0	227
Rent Rebates	8,301	7,894	8,330
General Fund – Negative Housing Subsidy	5,800	6,191	6,436
<b>Total Expenditure</b>	<b>23,609</b>	<b>23,643</b>	<b>24,561</b>
<b>Net (Surplus)/Deficit</b>	<b>(539)</b>	<b>(822)</b>	<b>596</b>

## CALCULATION OF BASE BUDGET

Variations	1998/99 £'000	1999/00 £'000
<b>Housing Revenue Account</b>	<b>-539</b>	<b>-902</b>
<b>Dwelling Rents</b> The original estimate for Council House sales was 240 but the probable outturn is 225. However, as actual sales were higher in the previous year the stock at March 1999 is little different to the original estimate.	3	287
<b>Non Dwelling Rents (mainly garages)</b> The level of rent income on garages has been lower than anticipated due to increased void levels and the effect of sales.	17	24
<b>Other Income other than Interest</b> It is anticipated that this general income will increase slightly in the current year but this level will not be maintained during the next year e.g. communal heating systems and court costs recovered.	-27	8
<b>Interest Receivable</b> Interest on investments is estimated to return a rate of 7.4% compared with the original estimate of 6.9%.	-390	390
<b>Economy on Staff Costs</b> The budget included an item requiring economies from staff costs. In the current year it has not been possible to deliver this other than by directly affecting service delivery. It is proposed to reinstate this amount.	50	
<b>Transfer from DSO</b> Surpluses generated by the DSO may be transferred into the HRA. This was a one off contribution.		150
<b>Rent Rebates</b> Rent rebates has been reduced in light of actual claim levels.	-407	
<b>Transfers to General Fund</b> The negative housing subsidy which is payable to the General Fund is affected by the changes in the level of rent rebate claims.	391	
<b>Adjusted Commitment Budget</b>	<b>-902</b>	<b>-43</b>

## SERVICE DEVELOPMENTS AND PRESSURES

Description	Financial Impact	
	1999/2000	2000/2001
	£000	£000
<b>Council House Sales</b> It is estimated that Council House sales will be 200 in 1999/00.	256	256
<b>Interest Receivable</b> Interest on investments will reduce in line with general level of interest rates. The estimated rate of return next year is 5.63% and is based on an average Base rate of 5% for the year.	793	397
As the rent reduces from Council House Sales then the total capital receipts invested increases therefore producing additional interest.	-314	-275
<b>Housing Subsidy (Grant Withdrawal)</b> The values used in the calculation of the Housing Subsidy have changed for the sale of council houses, change in interest rates, increase in the standard rent and cash limiting of the allowance for repairs and maintenance.	679	
<b>Housing Advice</b> An additional post is required to meet the Housing Act 1996's requirements for provision for housing advice. At the meeting on January 19 the Committee agreed to fund half of the post from the General Fund. The other half the post could be funded from the HRA.	12	
<b>Total</b>	<b>1,426</b>	<b>378</b>

## Manpower Budget

	1998/1999		1999/2000	
	fte	£'000	fte	£'000
Chief Executive	15	457	15	457
Corporate Services	228	4,656	208	4,638
Education	85	2,100	73	2,005
Leisure Services	205	3,167	209	3,236
Planning and Transportation	159	3,872	159	3,715
Public and Environmental Services	116	2,295	123	2,267
Social Services and Housing	676	12,168	669	12,369
	1,484	28,715	1,456	28,687

*Note the above figures exclude those who are employed directly by schools.*

There has been not been a significant change in the overall manpower budget between 1998/99 and 1999/2000. However, comparison between the two years data needs to be treated with caution as the 1998/1999 data was provided through the disaggregation of Berkshire County Council's Budget. Data for 1999/2000 is based on the manpower budgets included within each Service Committee approved budget.