

TO: THE EXECUTIVE
DATE: 17 DECEMBER 2019

GENERAL FUND REVENUE BUDGET 2020/21
(Chief Executive/Director: Finance)

1. PURPOSE OF REPORT

- 1.1 Under the Council's constitution, the Executive is required to consult on its detailed budget proposals with the Council's Overview & Scrutiny Commission and any other interested parties or individuals for a period of at least six weeks. This report summarises the current position on the Council's budget preparations for 2020/21 as a basis for that consultation.
- 1.2 Budget proposals assume that funding will be in line with the announcements contained within the Spending Round 2019 and the Technical Consultation on the Local Government Finance Settlement 2020/21 which followed in October. The Provisional Local Government Financial Settlement is likely to be delayed due to the General Election on the 12 December and may not be announced until January.
- 1.3 All comments received on these budget proposals will be submitted to the Executive on 11 February 2020 alongside any impact from the announcement of the Finance Settlement. This will allow the Executive to determine its final budget package and recommend the appropriate Council Tax level to Council, which will formally approve the 2020/21 budget and Council Tax on 26 February 2020.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Agree the draft budget proposals for 2020/21 as the basis for consultation with the Overview & Scrutiny Commission and other interested parties or individuals.**
- 2.2 **Authorises Directors to implement inflationary increases to fees and charges as soon as practicable in the current financial year.**
- 2.3 **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.**
- 2.4 **Note that the Capital Strategy published in 2019 remains relevant and does not require updating at this time.**
- 2.5 **Agree that the 2020/21 Schools Budget be set at the eventual level of the Dedicated School Grant income plus any accumulated DSG balances and additional Council funding of £0.308m (paragraph 8.23).**
- 2.6 **Authorise the Executive Member for Children, Young People and Learning to agree the allocation of the sums available for schools funding as set out in recommendation 2.5 having regard to the decisions and recommendations of**

the Schools Forum and to agree detailed budgets for services centrally managed by the Council.

- 2.7 Approve the virements relating to the 2019/20 budget as set out in Annexes G and H 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 2020/21 as required by the Local Government Act 2003.

4 ALTERNATIVE OPTIONS CONSIDERED

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

SUPPORTING INFORMATION

5 COMMITMENT BUDGET 2020/21 – 2022/23

- 5.1 Initial preparations for the 2020/21 budget have focussed on the Council's Commitment Budget for 2020/21 – 2022/23. This brings together the Council's existing expenditure plans, taking account of approved commitments and the ongoing effects of service developments and efficiencies that were agreed when the 2019/20 budget was set.
- 5.2 Several changes are proposed to the Commitment Budget since it was last considered and approved by the Executive in February and are reflected in the summary in Table 1. The most significant changes in 2020/21 are set out below:
- Due to slippage in the capital programme and additional capital receipts last year the budget for the Minimum Revenue Provision has been significantly reduced (-£0.803m);
 - The removal of adult social care resources provided in the Spring Budget 2017 is no longer expected to occur (-£0.509m)
 - A review of the transformation programme resulting in the removal of the preliminary savings built into the Commitment Budget for the Adults Transformation (£0.600m) and Public Transport (£0.350m);
 - The full year effect of the final Commercial Property purchases has generated a further saving of -£0.309m.

The overall impact of these changes is to decrease the Council's Commitment Budget by £0.670m compared to the position reported in February.

- 5.3 Taking account of these changes, Table 1 summarises the position and shows that base expenditure (excluding schools) is planned to decrease by £0.470m to £74.499m next year, before consideration is given to allowances for inflation and the budget proposals identified by individual Directorates in 2020/21. The commitment budget is shown in more detail in Annexe A.

Unrestricted

Table 1: Summary Commitment Budget 2020/21-2022/23

	Planned Expenditure		
	2020/21 £000	2020/21 £000	2022/23 £000
Base Budget	74,969	74,499	75,261
<i>Movements in Year:</i>			
Central	-26	-42	29
Delivery	-209	59	0
People (excluding schools)	-30	20	-282
Non-Departmental / Council Wide	-205	725	816
<i>Total Movements</i>	-470	762	563
Adjusted Base	74,499	75,261	75,824

6 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2020/21

- 6.1 On 4 September 2019 the Government set out the results of the 2019 Spending Round. The spending round is for one year only and in effect rolls forward the 2019/20 Local Government Finance Settlement whilst also providing significant additional resources for social care. A technical consultation on the Local Government Finance Settlement 2020/21 was also issued in October which provided further details including indicative figures for social care funding at individual council level. The Council's 2020/21 budget has been based on the information provided and details of the impact on individual income streams our outlined below where known. The Provisional Local Government Financial Settlement is currently not available and the exact timing of its publication is unknown, however it is likely to be delayed due to the decision to hold a General Election on the 12 December.
- 6.2 The 2019 Spending Round also confirmed that the reforms of the Business Rates System and the review of the funding formula, used to determine funding allocations in the annual Local Government Finance Settlement, will now not be completed and implemented until 2021/22 at the earliest. These will include a full reset of Business Rates retention baselines, a move towards 75% retention of Business Rates growth and a complete review of the bases for measuring relative needs and resources. It is expected that in 2020 the Government will carry out a multi-year Spending Review, which will lay the groundwork for these reforms.
- 6.3 Funding from central government is currently received through a share of Business Rates, Revenue Support Grant (RSG) and Specific Grants. Both the 2019 Spending Round and the technical consultation have indicated that the 2020/21 Settlement Funding Assessment, comprised of RSG and Business Rates Baseline Funding, will be uprated in line with the change in the small business non-domestic rating multiplier (1.6%). Funding from RSG is therefore projected to increase to -£1.771m for 2020/21 (in 2019/20 RSG of -£1.743m was subsumed into the Business Rates Baseline as part of the pilot) and the Business Rates Baseline to increase to -£16.832m (-£16.562m in 19/20).

Unrestricted

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

a) New Homes Bonus (NHB)

There have been several changes in the way NHB is calculated since it was introduced in 2011/12 which have reduced the funding available to the Council. These have included:

- reducing the number of years for which legacy payments are made to 4 years from 2018/19 and
- setting a national baseline for housing growth below which the Bonus will not be paid, to sharpen the incentive for councils to deliver more new homes. This was set at 0.4% in 2017/18 and has remained at this level in subsequent years.

There have been several consultations on further changes to the scheme including changing the baseline percentage, but no further changes have been made to date. The technical consultation on the 2020/21 Finance Settlement has confirmed that there will be a new round of NHB allocations for 2020/21, however, as there will be a 2020 Spending Review including potential new proposals, these additional payments will be for one year only. The government has also retained the option of changing the baseline percentage as part of the settlement. Any increase in the threshold would reduce the level of funding received.

Any changes beyond 20/21 will be consulted upon but at this stage there is no guarantee any NHB will be received beyond 2020/21 over and above any legacy payments.

As a result of the reforms to date, funding has reduced from -£3.9m in 2016/17 to -£1.4m in 2019/20 with a further expected reduction of £0.4m included in the draft budget proposals. This reduction assumes that a similar level of new NHB will be received for 2020/21 as that received in 2019/20, however, based on Council Tax data submitted in October for changes in the Council Tax Base and the number of empty homes, the allocation could potentially be significantly higher. The allocation, including the impact of any changes to the baseline, is expected to be confirmed in the Provisional Settlement.

b) Other Specific Grants

Some of the largest specific grants received by the Council are for Public Health and Social Care. The ring-fence on Public Health will be retained in 2020/21 and, following two years of grant cuts, national grant levels will increase in real terms. Indicative figures have yet to be provided at an individual council level.

For 2020/21 the Government is proposing to protect all social care grants from 2019/20 as well as providing £1 billion in new grant funding. The technical consultation provides indicative figures showing an additional -£1.282m of social care funding for Bracknell Forest. The -£0.362m of funding received last year for Winter Pressures will now be incorporated into the Improved Better Care Fund (iBCF) rather than being a ring-fenced grant and the existing iBCF funding will also be maintained at current levels.

Unrestricted

The Better Care Fund (BCF) is a pooled budget which consists of several schemes, some of which are managed by the Council and some by the Clinical Commissioning Group. The NHS contribution to adult social care through the BCF will increase by 3.4% in real terms in 2020/21, in line with the overall NHS long-term settlement. It has been assumed that this will be cost neutral for the Council at this stage.

Information on several other smaller grants normally follows several days or weeks after the Provisional Settlement and any changes will be incorporated into the February budget report to the Executive along with any changes in the Final Settlement.

- 6.5 It is likely that any further changes to the methodology and allocations for specific grants will be implemented as part of the changes to the overall Local Government Funding System in 2021/22, which includes the introduction of 75% Business Rates retention.
- 6.6 Another important income stream for the Council is Business Rates, a proportion of which is retained locally following the introduction of the Business Rates Retention reforms in April 2013. The level of Business Rates changes each year due to inflationary increases (set by central government), the impact of appeals and local growth or decline as local businesses and economic conditions expand or contract. The Government sets a baseline level of funding against which any growth or reduction is shared between local and central government. It has been confirmed this will increase in line with the small business non-domestic rating multiplier (1.6%)
- 6.7 At this stage, Business Rates income is forecast to grow in line with the Government's baseline assumptions in 2020/21 (1.6%). Currently the Council collects significantly more Business Rates than it can keep and until the 2018/19 Business Rates Pilot only received approximately 30% of any Business Rates growth. There has however been considerable volatility in Business Rates income following the transfer of a large multi-national company on to the Council's valuation list in 2013/14. Initially this significantly increased the level of Business Rates collected locally but following a successful appeal the rateable value was reduced by 28% in 2016/17. Further multiple appeals were lodged following the 2017 valuation some of which are still outstanding, and it is anticipated that the company will join the Central Rating List when the new Business Rates system is introduced in 2021/22. An unavoidable consequence of this has been significant volatility in Bracknell Forest's Collection Fund balance each year. In 2018/19 a deficit of -£3.045m was projected on the Business Rates element of the Collection Fund. This was met from the Future Funding Reserve in 2019/20 and has been reversed out of the budget proposals in Table 5 due to the one-off nature of this pressure. A final projection for the Collection Fund in 2019/20 will need to be made by the 31 January which will be incorporated into the February budget report. Early indications are that there will be a significant surplus which will be used to mitigate the risk of further losses in Business Rates income from the multi-national company referred to above.
- 6.8 The Government has announced that the introduction of a new system will now be delayed until 2021/22 which will be based on 75% retention of Business Rates growth locally. To coincide with this a fair funding review is currently underway which will calculate the new baseline funding levels for individual local authorities based on an up-to-date assessment of their relative needs and resources. Existing grants including RSG and the Public Health Grant will be incorporated into the revised baseline and more responsibilities are likely to be transferred to Local Government to ensure that the new system is fiscally neutral overall. The outcome of these deliberations is impossible to determine, although it will almost certainly have a significant long-term impact on the funding of the Council.

- 6.9 This will most likely mean that all or a large part of the additional business rates that the Council has secured through the company referred to above and from the town centre opening in 2017 will no longer directly benefit Bracknell Forest. This is a consequence of Bracknell Forest having for many years been able to generate income significantly in excess of its assessed funding needs. As the Council uses a substantial element of Business Rates growth (approximately £4m) to support the budget, this will result in a significantly increased budget gap in 2021/22.
- 6.10 The Council has benefitted considerably from being part of a Berkshire Wide Business Rates pilot area for the last two years. However, the Government has confirmed that except for the devolution areas and London, all other business rates retention pilots agreed for 2019/20 will finish at the end of the financial year and there will be no further pilot arrangements for 2020/21. This will affect the amount of Business Rates income that the Council can retain with income from growth being reduced back to 49% less a levy payment for 2020/21. As the Council has taken the prudent decision not to use any of the additional pilot income to immediately support the revenue budget, the only impact this will have is to reduce the amount that can be transferred into the Future Funding Reserve to support future budgets.

7 COUNCIL TAX

- 7.1 Council Tax at present levels will generate total income of -£59.419m in 2020/21. An increase in the Council Tax Base arising from the occupation of new properties during 2020/21 and a reduction in the take-up of the Local Council Tax Benefit Support Scheme is forecast to contribute an additional -£1.188m (+2%). The 2020/21 Council Tax Base will be finalised on 4 December and a verbal update provided.
- 7.2 The surplus/deficit on the Council Tax element of the Collection Fund in 2019/20 will need to be assessed by the 15 January 2020. Early indications are that there will be a surplus. This figure will impact on the 2020/21 budget and will be incorporated into the February budget report.
- 7.3 The Government limits Council Tax increases by requiring councils to hold a local referendum for any increases equal to or in excess of a threshold percentage which is normally included in the Local Government Financial Settlement. Following the outcome of the 2019 Spending Round, the Government is proposing a core referendum limit of 2% plus the option for councils with responsibility for adult social care, such as Bracknell Forest, to set an adult social care precept of up to a further 2%. Each 1% increase in Council Tax would generate approximately -£0.606m of additional income. The referendum principles will be confirmed in the provisional settlement.
- 7.4 The Executive at its meeting in February will recommend to Council the level of Council Tax considering the Final Settlement, the results of the consultation and the final budget proposals.

8 BUDGET PROPOSALS 2020/21

Service Pressures and Developments

- 8.1 In preparing the 2020/21 draft budget proposals each directorate has evaluated the potential pressures on its services and these are set out in Annexe B. Table 2 summarises the pressures by directorate.

Table 2: Service Pressures/Development

Directorate	£'000
Central	0
Delivery	417
People (excluding schools)	6,479
Non-Departmental / Council Wide	0
Total Pressures/Developments	6,896

- 8.2 Many of the pressures are simply unavoidable as they relate to current levels of demand or legislation changes. They do, however, also support the six strategic themes included in the new Council Plan in the following way:
- caring for residents and their families (£6.395m);
 - provide value for money (£0.177m);
 - communities (£0.214m);
 - protecting and enhancing the environment (0.120m).
- 8.3 One-off pressures are included above, where more staff are required temporarily to support the transition of the People Directorate to a new operating model, whilst maintaining current services (£1.424m). Recognising that this issue is time limited, it is proposed that these costs will be funded from an Earmarked Reserve in 2020/21, to be created by re-prioritising existing earmarked reserves.
- 8.4 Service pressures will be kept under review throughout the budget consultation period. There is always the risk in Social Care services in particular, that the numbers of people requiring care packages, the content of existing care packages and contract inflation will vary considerably from the assumptions included in these draft budget proposals. Any revisions to service pressures will be reported to the Executive in February.
- 8.5 In addition to these revenue proposals the Council continues to invest in its priorities through targeted capital expenditure. Details are contained in the capital programme report, but any revenue cost implications arising from the capital proposals are included in these draft budget proposals.

Service Economies

- 8.6 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 -£4.609m and is attached at Annexe C and summarised in Table 3. As in previous years, savings have focused as far as possible on increasing efficiency, income generation and reducing central and departmental support rather than on front line services. There will potentially be some impact on services, although this has been minimised to a large degree.

Table 3: Summary Service Economies

Directorate	£'000
Central	-1,050
Delivery	-428
People (excluding schools)	-1,429
Non-Departmental / Council Wide	-1,679
Total Savings	-4,586

Significant Budget Decisions

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

Council Wide Issues

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

a) Capital Programme

As outlined above, the scale of the Council's Capital Programme for 2020/21 will impact upon the revenue budget and will itself be subject to consultation over the coming weeks. All new spending on services will need to be funded from new capital receipts (including CIL), government grants, developer contributions or borrowing. The proposed Council Funded Capital Programme of £4.790m and externally funded (including self-funding schemes) programme of £13.910m for 2020/21 features in a separate report on tonight's agenda. After allowing for projected receipts of approximately £6.2m (including CIL) in 2020/21 and carry forwards, the additional revenue costs will be zero in 2020/21 and £0.291m in 2021/22.

b) Interest and Investments

Now that the Council is in no longer debt-free and is reliant on external borrowing to fund its capital investments, returns on surplus cash are likely to remain relatively low during 2020/21 and beyond.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual

pace and to a limited extent” and is now also conditional on “some recovery in global growth”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth. Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. Interest rates are not expected to rise from the current 0.75% until at least December 2020 – with little additional movement expected in the following 18 months. This forecast will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Borrowing interest rates were on a major falling trend during the first half of 2019/20 but then the Public Loan Works Board increased rates by 1% across all maturities on 9 October 2019. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. Now that the gap between longer term borrowing rates and investment rates has materially widened, and in the long term the Bank Rate is not expected to rise above 2.5%, the authority will carefully review any further longer term borrowing for the next three years, or until such time as the extra 1% margin is removed.

The Council reviews the annual Treasury Management Strategy Statement under the requirement of the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”). The Local Government Act 2003 required the Council to “have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the capital investment plans are affordable, prudent and sustainable”. Annexe F outlines the Council’s prudential indicators for 2020/21 – 2022/23 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.

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

Unrestricted

realistic discussions with key providers about what level of inflation is genuinely necessary on some contracts and placements.

At this stage the inflation provision is not finalised, although for planning purposes a sum of £2.300m (£2.396m 2019/20) has been added to the budget. This will be achieved by:

- Assuming pay awards of 2%;
- Negotiating to minimise inflation on contracts;
- Increasing fees and charges in line with the Council's income policy.

The Council will need to consider where it is appropriate and necessary to provide for inflation over the coming weeks so that the actual inflation provision can be added to the final budget report in February 2020.

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. Certain fees are determined by statute. The Council policy for fees and charges requires each Directorate to consider the level of charges against the following criteria:

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

A large proportion of fees and charges have remained at similar levels for many years, being increased only to reflect inflation each year. Recognising this, it is proposed that directors be authorised to apply inflationary increases to fees and charges in their areas at the earliest possible opportunity, to help the current year's financial position. For all instances where the proposed increase is not purely inflationary (shown in Annexe D), the normal consultation process will apply.

e) Corporate Contingency

The Council manages risks and uncertainties in the budget by way of a general contingency added to the Council's budget. Every year the Council faces risks on its budget in relation to demand led services, Business Rates and the general economic climate. The Contingency has been maintained at £2.5m as part of the draft budget proposals. This reflects the significant demand pressures being experienced within social care and the challenges in delivering significant further transformation savings.

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

Spending on Schools

- 8.10 Changes by the Department for Education (DfE) to the way schools and education in general are funded are now reaching a conclusion and are intended to result in an efficient, simple and predictable funding system that is fair and supports pupils to achieve their potential. As the Council is the 6th lowest funded education authority, the expectation has always been that the most likely outcome for Bracknell Forest schools would be a funding gain.
- 8.11 As part of the process, the Education and Skills Funding Agency (ESFA), the executive agency of the DfE, has put in place a Schools National Funding Formula (SNFF) to directly fund all schools thereby reducing the role of councils. The main financial responsibilities remaining with councils would relate to ensuring the needs of vulnerable pupils are met, sufficient school places are available, working with schools to ensure they understand and discharge their safeguarding duties, ensuring fair access through admissions and promoting attendance.
- 8.12 To enable a measured move to the new framework, transitional arrangements will remain in place with local authorities continuing to set school budgets through to at least March 2021, within parameters set by the DfE.
- 8.13 The Spending Round 2019 confirmed that over the next 3 years there will be a 15% increase in the Dedicated Schools Grant (DSG) funding which the Institute for Fiscal Studies has indicated restores school spending to pre-austerity levels. Detailed arrangements have only been confirmed for 2020/21 with the Bracknell Forest per pupil funding element of school budgets increasing by 6.2% (£4.8m).
- 8.14 Despite the additional funding, there is a significant medium-term financial pressure on the Schools Budget arising from the cost of new schools that are being built in response to new housing and the resultant need for more school places in order to fulfil the Council's agreed objective of delivering local schools for local children. In order to provide sufficient places when they are required, new schools will need to open at the start of the developments but will take a number of years to fill up as house building continues. During this period, new schools need additional financial support to cover what can be significant diseconomies of scale.
- 8.15 This cost pressure is not adequately resourced in the funding settlement from the DfE and over the medium term is expected to create a funding shortfall of around £4m. To help manage this, as part of the 2019/20 budget, the Executive agreed that £1m of Council reserves would be made available as part of a funding package. The contribution for 2020/21 is expected to amount to £0.308m, with the overall medium-term costs expected to be financed from:
- | | |
|-------------------------------|---------------|
| DSG financed school balances | £1.000m (24%) |
| Contribution from schools | £2.213m (52%) |
| Contribution from the Council | £1.000m (24%) |
- 8.16 In addition to grant funding for schools, the DfE makes separate allocations for pupils with special educational needs and disabilities (SEND) from age 0-24, Early Years funding for 0-4 year olds and a small number of services that support schools and pupils which councils are permitted to manage centrally.
- 8.17 Funding for SEND pupils will increase by 8% (£1.472m) next year. Whilst a substantial increase, this would still be insufficient to fund the forecast cost increase of

Unrestricted

£3.4m which arises from significant increases in both the numbers of pupils requiring support and the complexity of need.

- 8.18 This is a national issue, with the latest statistical release from the DfE recording that the number of pupils in England with a statement or Education Health Care Plan (EHCP) having increased in the last 2 years to January 2019 by 11.9%. Changes in the number of children receiving additional support through high needs budgets in Bracknell Forest show a steeper increase than the national figures, with the number expected to increase by 17.7% from April 2018 to March 2020 and costs by 27.3%. In order to help fund the forecast funding gap, the Schools Forum is being asked to contribute 0.5% of school budgets (£0.375m).
- 8.19 Taking account of this information, -£100.1m of grant income is estimated to be available to the Council for 2020/21 through the specific ring-fenced Dedicated Schools Grant (DSG). This comprises -£75.02m for the Schools Block, -£7.13m for the Early Years Block, -£17.01m for the High Needs Block and -£0.94m for the Central Schools Services Block.
- 8.20 In addition to the DSG, schools also receive revenue funding from other specific grants including School Sixth Forms (currently -£2.323m), the Pupil Premium (-£3.401m), Primary PE and Sports Premium (-0.455m), the Universal Infant Free School Meals Grant (-£1.253m), Teachers' Pay Grant (-£0.613m) and the Teachers' Pension Grant (-£1.182m). All these amounts are subject to change in 2020/21.

Spending on schools – decision making

- 8.21 Setting the overall level of the Schools Budget and the operation of the funding formula that distributes the money to schools is a statutory council function. In practice, the Schools Forum is asked to consider a range of proposals and it is expected that its recommendations are implemented, except in exceptional circumstances. The Schools Forum is legally required to determine how much of the overall schools funding is centrally managed by the local authority.
- 8.22 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 25 January 2020. To meet this requirement, 2020/21 school budgets will have to be set based on the estimated level of DSG plus any other grants and accumulated balances. The draft budget proposals are prepared on this basis.
- 8.23 The approval timescale is very tight, with the DfE only expected to release the data that councils must use to set school budgets at the end of December 2019. To meet the DfE's timescale of approval by 25 January, council statutory decisions around the Schools Budget together with endorsement of the decisions that the Schools Forum has the statutory power to take are normally delegated to the Executive Member for Children, Young People and Learning. Importantly, such decisions need to be made within the context of the overall level of funding agreed by the Executive, which is covered by recommendation 2.5 in this report.

Summary

- 8.24 Adding the draft proposals to the Commitment Budget and taking account of the corporate issues identified above would result in total expenditure of £81.787m as shown in Table 5.

Unrestricted

Table 5: Summary of proposals:

	£'000
Commitment Budget	74,499
Budget Pressures	6,896
Budget Economies	-4,586
Capital Programme	0
Inflation Provision	2,300
Reversal of the one-off transfer from the Future Funding Reserve for the projected Collection Fund - Business Rates deficit in 2018/19	4,942
Transfer from Earmarked Reserve to meet one-off staffing pressures	-1,424
Reduction in total New Homes Bonus 2020/21	441
Additional Social Care Funding	-1,281
Draft Budget Requirement 2020/21	81,787

- 8.25 Without the Provisional Finance Settlement, assumptions have had to be made on the level of grant income. It has been assumed that the Council can anticipate income of up to -£79.210m. This arises from Revenue Support Grant (-£1.771m), Business Rates baseline funding (-£16.832m) and Council Tax at the 2019/20 level (-£60.607m).
- 8.26 With the potential overall cost of the budget package being consulted on in the region of £81.787m, this leaves a potential gap of around £2.577m. Members can choose to adopt any or all of the following approaches in order to bridge the remaining gap:
- an increase in Council Tax;
 - an appropriate contribution from the Council's revenue reserves, bearing in mind the Medium Term financial position;
 - identifying further expenditure reductions.

9 RESERVES

- 9.1 The Council has an estimated £6.5m available in General Reserves at 31 March 2020, if spending in the current year matches the approved budget. Details are contained in Table 6.

Table 6: General Reserves as at 31 March 2020

	£m
General Fund	9.1
Planned use in 2019/20	(2.6)
Estimated Balance as at 31 March 2020	6.5

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

10 CONCLUSION

- 10.1 The Council's constitution requires a consultation period of at least six week on the draft budget proposals. In this context, it is inevitable that, of the broad range of options proposed for consultation, not all will necessarily be included in the final budget package. It is also likely that some further issues with a financial impact will arise between now and February. When the Final Settlement is known, the Executive can consider the prudent use of revenue balances to support expenditure in line with the overall medium term financial strategy, along with any further expenditure reductions.
- 10.2 It is suggested, therefore, that the normal process whereby the Overview & Scrutiny Commission and Panels review the overall budget package in January, is followed. The proposals will also be placed on the Council's website for public consultation.
- 10.3 All comments from the Overview & Scrutiny Commission, Overview and Scrutiny Panels and all others will then be submitted to the Executive on 11 February 2020. This will allow the Executive to determine the final budget package and recommend the appropriate Council Tax level to the Council on 26 February 2020.

11 BUDGET MONITORING 2019/20- VIREMENT REQUEST

- 11.1 A virement is the transfer of resources between two budgets but it does not increase the overall budget approved by the Council. Financial Regulations require formal approval by the Executive of any virement between £0.050m and £0.100m and of virements between directorates of any amount. Full Council approval is required for virements over £0.100m. During 2019/20 several virements have been identified which require the approval of the Executive. These have been previously reported to the Corporate Management Team which recommends them to the Executive for approval. They have been included in the Quarterly Service Reports. Details of virements between directorates are set out in Annexe F. Details of internal virements exceeding £0.050m are set out in Annexe G.

12 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 12.1 Nothing to add to the report.

Director: Finance

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

Equalities Impact Assessment

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

these are attached in Annexe H. Consultation with equalities groups that are likely to be affected by the proposal is part of the assessment process.

Strategic Risk Management Issues

- 12.4 A sum of £2.5m is currently included in the draft proposals to meet the costs of unpredictable or unforeseen items that would represent in year budget risks. The Executive will need to make a judgement on the level of Contingency at its meeting in February.
- 12.5 The Director: Finance, as the Council's Chief Finance Officer (Section 151 Officer), must formally certify that the budget is sound. This will involve identifying and assessing the key risk areas in the budget to ensure the robustness of estimates and ensuring that appropriate arrangements are in place to manage those risks, including maintaining an appropriate level of reserves and Contingency. This formalises work that is normally undertaken each year during the budget preparation stages and in monthly monitoring after the budget is agreed. The Director of Finance will report his findings in February, when the final budget package is recommended for approval.

13 CONSULTATION

Principal Groups Consulted

- 13.1 The Overview & Scrutiny Commission will be consulted on the budget proposals and may also choose to direct specific issues to individual overview and scrutiny panels. Targeted consultation exercises will be undertaken with business rate payers, the Schools Forum, town and parish councils and voluntary organisations. Comments and views will be sought on both the overall budget package and on the detailed budget proposals. In addition, this report and all the supporting information are publicly available to any individual or group who wish to comment on any proposal included within it. To facilitate this, the full budget package will be placed on the Council's web site at <http://consult.bracknell-forest.gov.uk/portal>. There will also be a dedicated mailbox to collect comments.
- 13.2 The timetable for the approval of the 2020/21 Budget is as follows.

Executive agree proposals as basis for consultation	17 December 2019
Consultation period	18 December 2019 - 28 January 2020
Executive considers representations made and recommends budget.	11 February 2020
Council considers Executive budget proposals	26 February 2020

Background Papers

None

Contacts for further information

Timothy Wheadon – 01344 355601

Timothy.wheadon@bracknell-forest.gov.uk

Unrestricted

Stuart McKellar – 01344 352180
Stuart.mckellar@bracknell-forest.gov.uk

Arthur Parker – 01344 352158
Arthur.parker@bracknell-forest.gov.uk