

OVERVIEW AND SCRUTINY COMMISSION

CONTEXT FOR DEVELOPING 2020/21 DRAFT BUDGET PROPOSALS

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2019/20 Monitoring position

Unprecedented (for Bracknell Forest) level of demand pressures totalling £6m in:

- Children's Social Care (primarily costs of residential care placements), and
- Adult Social Care (mix of additional clients and increased unit costs)

Mitigated in large part by:

- | | |
|------------------------------|--------|
| • Treasury savings | £1.75m |
| • Contingency | £2.50m |
| • Other Departmental savings | £1.35m |

Leaves £0.5m gap at present

Message: We face an acute financial position, which is being taken very seriously, but there is no need to panic



Areas of focus – current year

- Stop. Think. Save! Programme
- Defer all non-time critical planned maintenance
- Accelerate 2020/21 savings and fee increases where possible (proposed recommendation to December Executive)
- All recruitment to be signed off by Directors
- Review of agency and consultancy spend
 - Director sign off for specialist consultants in essential roles
 - Agency staff to BFC grades where possible
- Plus non-essential spending freeze
 - E.g. Stationery, external seminars etc, non BFC venues
- All staff have been briefed



BFC Finances – Looking Ahead

- September Spending Review announcement (covering 1 year) brought some good news.....
 - Continuation of social care and health grant funding
 - Renewal of 2% social care precept
 - Additional money for schools
- And some bad news
 - Consultation on gradual withdrawal of New Homes Bonus grant from 2020/21
 - End of Business Rate Pilots
- At time of finalising budget preparations, national uncertainty around:
 - Brexit
 - General Election
 - Timing of local government finance settlement (given the above)
- No reason at that point to change medium term financial predictions

BFC Finances – Predicted Underlying Position*

Medium Term Budget Model

| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m |
|---|---------------|---------------|---------------|---------------|
| Base Revenue Budget | 81.4 | 84.0 | 91.7 | 94.9 |
| Inflation and Commitments | 2.6 | 3.7 | 3.2 | 3.3 |
| Reduced Income from Business Rates Growth | | 4.0 | | |
| Expenditure | 84.0 | 91.7 | 94.9 | 98.2 |
| Grant and Business Rates Baseline | -21.2 | -21.7 | -22.2 | -22.8 |
| Council Tax (maximum allowed) | -63.0 | -65.5 | -68.1 | -70.8 |
| Use of General Balances/Future Funding Reserves | | | | |
| Resources | -84.2 | -87.2 | -90.3 | -93.6 |
| Annual Gap | -0.2 | 4.5 | 0.1 | 0.1 |
| Cumulative Gap | | 4.3 | 4.6 | 4.6 |

* Before adding spending pressures and savings, assuming maximum Council tax increases

Key Risks and Opportunities

- Risks
 - Current year spending exceeds budget (excluding £2.5m corporate contingency) by around £6m
 - Level of on-going pressures significantly exceeds identified savings
 - Sustainability of business rates income
- Opportunities
 - Future Funding Reserve (largely funded by NNDR pilots) buys time
 - Expected Collection Fund surplus in current year (helps mitigate business rates risk)



Budget Outlook

- Except in 2021/22 we are unlikely to face a significant challenge due to funding changes
- But, pressures in the current year and the scale of the gap between pressures and savings in 2020/21 has a potentially huge impact on the medium-term position
- We need to re-balance pressures and savings
- To achieve this we need two approaches.....
 - 1) To reduce spending in the last part of the year to balance 2019/20
 - 2) To implement changes that will help us remain sustainable over the medium-term
- The second is more difficult when we also have to keep current services going and requires additional capacity

Budget approach

a) Historic underlying principles

- Focus on 2020/21, but with an eye to the future
- Efficiencies and savings taken as early as possible and not constrained by financial years
- Savings focussed on efficiencies and the back office – seek to minimise the impact on front line services
- Twin track immediate savings and transformational change, acknowledging there is not a clear delineation between the two
- Reserves and balances used in a measured way to facilitate the implementation of savings over time
- Core schools funding will be at the level of external support (DSG) received by the Council (supplemented as a one-off last year recognising the impact of new schools and surplus places)



Budget approach (cont.)

b) Specific principles

- Consistent approach to budgeting for Children's and Adult Social Care costs, review approach to future pressures
- Maintain (for now anyway) level of Corporate Contingency at £2.5m
- Focus Transformation efforts on delivering Children's and Adults programmes
- Protect investment in priority early intervention programs to deliver sustainable savings
- Reduce pressure on debt charges budget by keeping new capital programme proposals to a minimum
- Allow for inflation on pay of 2%, negotiate reduced inflationary costs on contracts wherever possible
- Increase fees and charges at least for inflation and higher if this won't adversely affect take-up

Budget approach (cont.)

c) Specific measures for 2020/21

- Mitigate 2020/21 People Directorate staffing pressures by temporary £1.5m funding from Social Care Transition Reserve
 - Created from existing reserves
- To help accelerate social care changes as far as possible, including;
 - Family Safeguarding
 - Edge of care
 - Conversations
 - Commissioning

Revenue Budget Recommendations

That the Executive:

- 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. Authorises Directors to implement inflationary increases to fees and charges as soon as practicable in the current financial year.**
- 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.**
- 4. Note that the Capital Strategy published in 2019 remains relevant and does not require updating at this time.**
- 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).**
- 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.**
- 7. Approve the virements relating to the 2019/20 budget as set out in Annexes F and G and recommend those that are over £0.100m for approval by Council.**

CAPITAL PROGRAMME RECOMMENDATIONS

That the Executive:

- 1. Approves, for consultation, a Council funded capital programme of £4.79m for 2020/21 as set out in paragraph 5.11 and summarised in Annex A, including the new schemes listed in Annexes B – C.**
- 2. Approves, for consultation, the inclusion of £13.91m of expenditure to be externally funded (including £3.97m of S106 funding) as outlined in paragraph 5.12.**
- 3. Approves, for consultation, the inclusion of an additional budget of £1m for Invest-to-Save schemes.**



Draft 2020/21 proposals for review

In this context, draft budget proposals have been approved by the Executive for consultation, summarised below;

| Savings £m | Pressures £m | Commitments £m | Transformation £m | Inflation £m | Net Movement £m |
|---------------|-----------------|-------------------|----------------------|-----------------|-----------------------|
| -4.6 | 6.9 | -0.1 | -0.4 | 2.3 | 4.1 |

Remaining gap currently £2.6m

- Assumes use of one-off £1.5m reserve to fund staffing pressures

Before

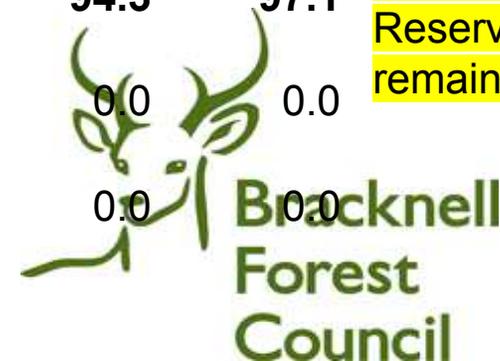
- Council Tax increase (1% = £0.6m),
- Use of General Reserve / Future Funding Reserve
- Collection Fund position



Forward Look based on draft proposals *

Medium Term Budget Model

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | |
|---|-------------|-------------|-------------|-------------|---------------------------|
| | £m | £m | £m | £m | |
| Base Revenue Budget | 81.4 | 85.9 | 91.6 | 94.3 | |
| Inflation and Commitments | 2.6 | 3.6 | 3.2 | 3.3 | |
| Reduced Income from Business Rates Growth | | 4.0 | | | |
| Excess of Pressures v (Savings) | 1.9 | -0.5 | -0.5 | -0.5 | Target from 2021/22 |
| Reverse one-off staffing pressures | | -1.4 | | | |
| Expenditure | 85.9 | 91.6 | 94.3 | 97.1 | |
| Grant and Business Rates Baseline | -21.2 | -21.6 | -22.0 | -22.4 | |
| Council Tax (<u>maximum allowed</u>) | -63.0 | -65.5 | -68.1 | -70.8 | £5.2m of £18m |
| Use of Social Care Transition Reserve | -1.5 | | | | Future |
| Use of General Balances / Future Funding Res. | -0.2 | -4.5 | -4.2 | -3.9 | Funding Reserve remaining |
| Resources | 85.9 | 91.6 | 94.3 | 97.1 | |
| Annual Gap | 0.0 | 0.0 | 0.0 | 0.0 | |
| Cumulative Gap | | 0.0 | 0.0 | 0.0 | |



* Before Finance Settlement announcement

Local Government Finance Settlement

- Announced 20 December 2019
- Largely as expected, **except** for New Homes Bonus
- Proposed major changes to reduce NHB incentives and growth thresholds deferred for 12 months
- Significant one-off boost for Bracknell Forest, given highest level of additional properties for many years
- Extra £1m of funding compared with level assumed in 2020/21 only
 - Enables reserves to be protected
- No material impact on medium term position



CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME - BY CATEGORY

| | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | TOTAL £000 |
|--|-----------------|-----------------|-----------------|---------------|
| Committed | 1,135 | 1,035 | 1,135 | 3,305 |
| Unavoidable | 0 | 0 | 0 | 0 |
| Maintenance | 1,945 | 1,600 | 1,600 | 5,145 |
| Rolling Programme / Other Desirable | 1,710 | 390 | 340 | 2,440 |
| Council Funding | 4,790 | 3,025 | 3,075 | 10,890 |
| Total External Funding | 13,910 | 2,649 | 2,649 | 19,208 |
| Total Capital Programme | 18,700 | 5,674 | 5,724 | 30,098 |

- Level of new schemes more modest than in recent years, below the £5m expected from new capital receipts / CIL
- Revenue impact of additional borrowing is £7k (covered by additional income)



Questions?

