

TO: THE EXECUTIVE
DATE: 15 DECEMBER 2020

GENERAL FUND REVENUE BUDGET 2021/22
(Chief Executive/Director: Resources)

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 2021/22 as a basis for that consultation.
- 1.2 Preparations for next year's budget have been undertaken against a backdrop of unprecedented uncertainty. All councils are experiencing significant additional costs and losses of income as a consequence of Government actions to mitigate the impact of the Covid-19 pandemic. The scale and duration of these remain impossible to predict with any degree of certainty. Moreover, while it is expected that additional, exceptional costs will continue to be incurred into 2021/22, it was unclear until the Government's Spending Review announcement on 25 November whether the additional funding it has provided in the current year would continue into next.
- 1.3 While the Spending Review provided some comfort at a national level in this respect, the papers for this Executive meeting have been published before the Provisional Local Government Financial Settlement announcement. This will set out individual authority funding calculations and is expected to be announced in the week commencing 14 December. Therefore, in the absence of the Provisional Settlement, the report is based on a number of high-level assumptions regarding government funding for Bracknell Forest in 2021/22.
- 1.4 All comments received on these budget proposals will be submitted to the Executive on 9 February 2021 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 2021/22 budget and Council Tax on 24 February 2021.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Agree the draft budget proposals for 2021/22 as the basis for consultation with the Overview & Scrutiny Commission and other interested parties or individuals.**
- 2.2 **Agree the Treasury Management Strategy and associated documents at Annexe E and request that the Governance and Audit Committee review each of the key elements.**
- 2.3 **Note that the Capital Strategy published in 2019 remains relevant and does not require updating at this time.**

- 2.4 Agree that the 2021/22 Schools Budget be set at the eventual level of the Dedicated School Grant income plus any accumulated DSG balances and additional Council funding of £0.253m (paragraph 8.18).**
- 2.5 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 2.4 having regard to the decisions and recommendations of the Schools Forum and to agree detailed budgets for services centrally managed by the Council.**
- 2.6 Agrees that the Council Tax Base be set at 47,624 (Band D equivalents) for 2021/22 as outlined in Annexe H.**
- 2.7 Approve the virements relating to the 2020/21 budget as set out in Annexes F and G and recommends 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 2021/22 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 2021/22 – 2023/24

- 5.1 Initial preparations for the 2021/22 budget have focussed on the Council's Commitment Budget for 2021/22 – 2023/24. 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 2020/21 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 2021/22 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 reduced (-£0.318m);
 - One-off staffing pressures built into the budget for the People Directorate in 2020/21 have now been removed (-£1.424m).

The overall impact of these changes is to decrease the Council's Commitment Budget by £1.780m compared to the position reported in February 2020.

- 5.3 Taking account of these changes, Table 1 summarises the position and shows that base expenditure (excluding schools) is planned to decrease by £0.881m to £90.326m next year, before consideration is given to allowances for inflation and the budget proposals identified by individual directorates in 2021/22. The commitment budget is shown in more detail in Annexe A.

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Table 1: Summary Commitment Budget 2021/22-2023/24

	Planned Expenditure		
	2021/22	2022/23	2023/24
	£000	£000	£000
Base Budget	91,207	90,326	90,894
<i>Movements in Year:</i>			
Central	-95	-252	0
Delivery	-8	27	76
People (excluding schools)	-1,357	-110	-156
Non-Departmental / Council Wide	579	903	595
<i>Total Movements</i>	-881	568	515
Adjusted Base	90,326	90,894	91,409

6 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2021/22

- 6.1 A multi-year Spending Review was expected to take place in July, but due to the disruption caused by the pandemic the Government pushed back the review until late November. The spending review usually sets spending totals for three years, and capital budgets for a further year. However, the Treasury has opted to make the review cover a single year, acknowledging the level of economic uncertainty that currently exists. Longer term settlements are, however, expected for some public spending crucial to the recovery, including spending on the NHS, schools and infrastructure. This decision follows the delay to the Autumn Budget announced in September and is the second single-year spending review in succession. While it is acknowledged that current circumstances around Covid-19, Brexit and global economic conditions meant this was an inevitable approach, its impact is to make medium-term financial planning extremely difficult.
- 6.2 On 25 November 2020 the Government set out the results of the 2020 Spending Review (SR20). Up to this point preparations for the Council's budget had been based on the deliberately prudent assumption that Government support would remain broadly at the level it was at the start of 2020/21, i.e. before the additional Covid-19 support was provided. The Spending Review has confirmed that additional funding will also be provided in 2021/22 to help meet on-going Covid-19 pressures. Figures have not yet been provided at individual council level but figures for England as a whole include over £3 billion of additional support:
- £1.55 billion of grant funding to meet additional expenditure pressures as a result of Covid-19;
 - £670 million of additional unringfenced grant funding to help local authorities support the more than 4 million households that are least able to afford council tax payments;
 - providing an estimated £762 million to compensate councils for 75 per cent of irrecoverable losses of council tax and business rates revenues in 2020/21;

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- extending the existing Covid-19 income compensation scheme for a further 3 months until the end of June 2021.
- 6.3 The sums involved will be significant for the Council, but as indicative figures are not available and the basis for allocation has not been determined, this additional income has not been included in the calculation of the remaining budget gap at this stage. Whilst the additional funding is very welcome, it should be noted that it is assumed to be one-off and therefore will not assist that Council's medium term financial position.
- 6.4 Other key announcements included:
- a pay freeze for all local government employees earning above the median salary of £24,000;
 - further support for social care via additional grant and the ability to raise a 3% adult social care precept, in 2021/22, 2022/23 or across the two years;
 - maintaining the existing New Homes Bonus scheme for a further year but with no new legacy payments;
 - freezing the Business Rates multiplier in 2021/22.
- 6.5 Each of these issues are discussed in more detail below, insofar as this is possible before the announcement of the Provisional Local Government Financial Settlement.
- 6.6 Earlier this year, the Government announced that it would delay the move to 75 per cent Business Rates Retention and the implementation of the fair funding review. The SR20 confirmed that the Government has decided not to proceed with a reset of business rates baselines in 2021/22. The government is undertaking a fundamental review of the business rates system, including other options to supplement the rates retention scheme, and is currently considering responses to the call for evidence. A final report setting out the full conclusions of that review will be published in spring 2021. With the Council having benefitted significantly from the current funding arrangements which were introduced in 2013, the impact of any change can be expected to be significantly detrimental to its financial situation.
- 6.7 To support businesses in the near-term, the government has also decided to freeze the business rates multiplier in 2021/22. This will be cost neutral for the Council as compensation for the loss of income will be provided via a section 31 grant.
- 6.8 Funding from central government is currently received through a share of Business Rates, Revenue Support Grant (RSG) and Specific Grants. The 20SR has indicated that RSG will be increased in line with inflation and is therefore expected to increase by 0.5% to -£1.780m for 2021/22 (-£1.771m in 2020/21). It is expected that Business Rates Baseline Funding, the other element of the 2021/22 Settlement Funding Assessment, will be frozen in line with the Business Rates multiplier (-£16.832m).
- 6.9 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:

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- reducing the number of years for which legacy payments are made to 4 years from 2018/19;
- 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;
- confirming that the allocation for 2020/21 would be for one year only pending the outcome of a 2020 spending review.

The technical consultation on the 2020/21 Finance Settlement referred to a new consultation in the spring, with the intention being to move to a more targeted approach aligned with other measures around planning performance. This consultation never took place, but the 2020 SR has now confirmed that a consultation will be launched shortly, with a view to implementing reform in 2022/23. It also confirmed that the existing NHB scheme will be maintained for a further year and that any allocation would again be for one year only.

The Council's budget preparations were constructed on the basis of information that indicated the NHB incentive would be withdrawn or significantly diluted in 2021/22, resulting in an expected £1.5m reduction in NHB down to -£0.4m. Housing growth has been exceptionally high in Bracknell Forest over the last 12 months. With the continuation of NHB into 2021/22 now being confirmed, additional income is now expected with the figure depending on the overall amount made available and the relative performance of Bracknell Forest compared to other councils. The actual amount will 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 is likely to be retained in 2021/22 but indicative figures have yet to be provided at an individual council level.

For 2021/22 the Government is proposing to protect all social care grants from 2020/21 as well as providing an additional £300m in grant funding (£150m of new, non-baselined grant and £150m of funding identified from within existing resource). No indicative figures are available as distribution options will be consulted upon through the Provisional Local Government Finance Settlement in December.

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 is expected to increase in real terms in 2021/22, 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.

- 6.10 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.

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The Government sets a baseline level of funding against which any growth or reduction is shared between local and central government. It has been assumed this will be frozen in line with the Business Rates multiplier (-£16.832m).

- 6.11 Business rates income is expected to fall from the current level due to successful appeals against valuations (e.g. town centre retailers), potential business changes and the continued impact of the pandemic. At this stage, Business Rates income is therefore forecast to decrease by around £1m in 2021/22. This assessment will be refined over the coming weeks to reflect the most up to date position in February.
- 6.12 Currently the Council collects significantly more Business Rates than it is allowed to keep and only receives 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. This has 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. Council officers have been notified by Government officials that the company will join the Central Rating List when a new Business Rates system is introduced, removing a large part of the Council's retained growth at that point.
- 6.13 An unavoidable consequence of this has been significant volatility in Bracknell Forest's Collection Fund balance each year since 2014. In 2019/20 a surplus of -£8.241m was projected on the Business Rates element of the Collection Fund. This was transferred into the Future Funding (£0.741m) and Business Rates Revaluation (£7.500m) Reserves in 2020/21 and has been reversed out of the budget proposals in Table 5 due to the one-off nature of this saving. A final projection for the Collection Fund in 2020/21 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 deficit which is entirely due to the additional Business Rates reliefs granted by the Government after income estimates were submitted at the beginning of the year. Section 31 grant is being received this year to compensate councils for the resultant loss of income. This will be transferred into an earmarked reserve at the year-end so that it can be used to fund the 2020/21 deficit when it becomes payable in 2021/22.
- 6.14 The Government has announced that the introduction of a new Business Rates system will now be delayed until at least 2022/23. To coincide with this a fair funding review is currently underway which will calculate the new baseline funding levels for individual councils based on an up-to-date assessment of their relative needs and resources. Existing grants including RSG and most likely 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 detrimental impact on the funding of the Council.
- 6.15 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 the future.

7 COUNCIL TAX

- 7.1 Council Tax at present levels will generate total income of -£63.476m in 2021/22. It was expected that the number of properties paying Council Tax would increase significantly over the coming years and to date the Council Tax Base has remained broadly in line with predictions. A period of economic uncertainty / downturn normally has an adverse impact on the housing market however the temporary stamp duty reduction has helped to stimulate the market. The Council Tax Base for 2021/22 has been calculated as 47,624 Band D equivalents (see Annexe H) which at current levels would generate total income of -£64.571m in 2021/22. This represents a net increase of 808 (-£1.095m) arising from the occupation of new properties during 2021/22 partly offset by an increase in the take-up of the Local Council Tax Benefit Support Scheme.
- 7.2 The surplus/deficit on the Council Tax element of the Collection Fund in 2020/21 will need to be assessed by the 15 January 2021. Early indications are that there will be a small surplus. Due to the impact of the pandemic, the Government has recently enacted legislation which enables any deficit to be spread over the next three years rather than impacting on just the 2021/22 budget. The final figures and the impact in 2021/22 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 SR20, the Government is proposing a core referendum limit of 2% plus the option for councils with responsibility for adult social care, including Bracknell Forest, to set an adult social care precept of up to a further 3%. Early indications are that the 3% can be raised in 2021/22 or spread across two financial years. Each 1% increase in Council Tax would generate approximately -£0.646m 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 2021/22

Service Pressures and Developments

- 8.1 In preparing the 2021/22 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	916
Delivery	3,158
People (excluding schools)	4,348
Non-Departmental / Council Wide	0
Total Pressures/Developments	8,422

- 8.2 As with the approach taken to budget monitoring in 2020/21, a Best Case and Worst Case approach has been used to identify pressures. This reflects the continuing

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uncertainty surrounding the impact of the pandemic on costs and income. The level of additional Government support for Covid-19 announced in the SR20 indicates that it would be prudent to allow for the Worst Case figures in the Council's draft budget at this stage, which are shown in Table 2. It will need to be decided in the final budget proposals whether to continue to make provision for this level of additional cost pressures overall and how much to allow for in base service directorate budgets versus a centrally managed contingency.

8.3 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 (£3.850m);
- providing education and skills (£0.458m);
- providing value for money (£0.131m);
- supporting communities (£1.321m);
- protecting and enhancing the environment (£0.238m).

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 -£3.332m 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 directorate 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	-779
Delivery	-769
People (excluding schools)	-1,769
Non-Departmental / Council Wide	-15
Total Savings	-3,332

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 2021/22 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 £6.858m and externally funded (including self-funding schemes) programme of £5.174m for 2021/22 features in a separate report on tonight's agenda. After allowing for projected receipts of approximately £3.1m (including CIL) in 2021/22 and carry forwards, the additional revenue costs will be £0.050m in 2021/22 and £0.125m in 2022/23.

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 2021/22 and beyond.

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut the Bank Rate to first 0.25%, and then to 0.10%, it left the Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary.

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields.

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Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The Bank Rate is not expected to rise above 0.1% over the next 3 years and as such any new borrowing that may arise is likely to be undertaken at historically low rates. The 2020 Spending Review also confirmed the government will cut PWLB lending rates to gilts + 0.8% (1% less than the current rate) for the Certainty Rate from the 26 November which is the rate available to the Council for PLWB borrowing.

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 2021/22 – 2023/24 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 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. For planning purposes, a sum of £2.100m (£1.998m 2020/21) had initially been added to the budget preparation calculations on the assumptions that:

- pay awards would be 2%;

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- contracts would be negotiated where possible to minimise inflation;
- and fees and charges would be increased in line with the Council's income policy.

The 2020 Spending Review confirmed that the Government is planning to freeze pay for all local government employees except for those earning below the median salary of £24,000 who will be guaranteed a pay rise of at least £250. To reflect this announcement the initial provision has now been reduced to £1.200m.

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 2021.

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.

Certain other fees will attract the percentage determined by statute. The proposed fees and charges are included in Annexe D.

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.

At this stage the Contingency has been maintained at £2.25m, however, this will continue to be reviewed to see if it is more appropriate for some Worst Case pressures to be included in a centrally managed Contingency rather than service area base budgets.

The Executive will need to make a judgement on the appropriate level of contingency at its February meeting, taking advice from the Director: Resources who will need to certify the robustness of the overall budget proposals in the context of the latest performance data, 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 2022, within parameters set by the DfE. A consultation on further moves to a more centralised approach to setting school budgets with less local authority involvement is expected before the end of 2020.
- 8.13 The SR20 reaffirms the government's commitment in the Spending Round 2019 that over the 3 years 2020/23 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, although this will now have been impacted by Covid-19. For 2021/22, the DfE has increased the Bracknell Forest per pupil funding element of school budgets by 3.4%.
- 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 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 which would also include £1m from accumulated balances in the DSG with the remaining circa £2m being met from the annual funding allocation to schools from the DfE.
- 8.16 In light of the significant financial pressures that councils are experiencing on the High Needs budgets (those intended to support pupils with special educational needs and disabilities (SEND)) the DfE has introduced new rules around funding transfers in and out of the Schools Budget. The primary objective is to make clear that any accrued deficit is not a liability on councils but remains a DfE responsibility.
- 8.17 There are 2 consequences from this on the council: the DfE must now approve any requests from councils to add funding to their Schools Budget; and the DfE has introduced a more rigorous monitoring and intervention regime where council areas have deficit balances or experience a significant reduction in a surplus.

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- 8.18 In respect of the planned funding transfer to schools next year, despite intending to increase the money schools receive, initial discussions with the DfE on approving a council contribution have not resulted in clear agreement and further information was requested and provided. Feedback from the DfE is awaited and a risk exists relating to use of council funds to support schools from next financial year. Therefore, the contribution for 2021/22 has yet to be considered by the Schools Forum, but if approved, it is anticipated to be a similar value to the £0.253m used in 2020/21.
- 8.19 In terms of the more rigorous DfE monitoring and intervention regime, as the DSG surplus balance reduced by £2.783m in 2019/20, additional monitoring and intervention can be expected. Whilst no specific communications have been received from the DfE all affected councils are required to complete a standard DSG Management Plan template. This is in the process of being completed.
- 8.20 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.
- 8.21 Funding for SEND pupils is forecast to increase by 8% (£1.361m) next year to £18.369m. Whilst a substantial increase, this would still be insufficient to fund the forecast cost increase of £5.1m which arises from significant increases in both the numbers of pupils requiring support and the complexity of need. As set out above, this is a national issue with the council working closely with the Schools Forum on a change programme.
- 8.22 Taking account of this information, -£108.56m of grant income is estimated to be available to the Council for 2021/22 through the specific ring-fenced Dedicated Schools Grant (DSG). This comprises -£81.77m for the Schools Block, -£7.56m for the Early Years Block, -£18.37m for the High Needs Block and -£0.86m for the Central Schools Services Block.
- 8.23 In addition to the DSG, schools also receive revenue funding from other specific grants including School Sixth Forms (currently -£1.638m), the Pupil Premium (-£2.560m), Primary PE and Sports Premium (-0.438m) and the Universal Infant Free School Meals Grant (-£1.245m). All these amounts are subject to change in 2021/22.

Spending on schools – decision making

- 8.24 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 council.
- 8.25 The DfE requires councils to confirm the basis on which actual school budgets will be allocated, including per pupil and all other funding rates, by 21 January 2021. To meet this requirement, 2021/22 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.
- 8.26 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 2020. To meet

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the DfE's timescale of approval by 21 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

- 8.27 Adding the draft proposals to the Commitment Budget and taking account of the corporate issues identified above would result in total expenditure of £89.425m as shown in Table 5.

Table 5: Summary of proposals:

	£'000
Commitment Budget	90,326
Budget Pressures	8,422
Budget Economies	-3,332
Capital Programme	50
Inflation Provision	1,200
Reversal of the one-off transfers into the Future Funding and Business Rates Revaluation Reserves for the projected Collection Fund - Business Rates surplus in 2019/20	-8,241
Reduction in Business Rates income	1,000
Draft Budget Requirement 2021/22	89,425

- 8.28 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 -£83.183m. This arises from Revenue Support Grant (-£1.780m), Business Rates baseline funding (-£16.832m) and Council Tax at the 2020/21 level (-£64.571m).
- 8.29 With the potential overall cost of the budget package being consulted on in the region of £89.425m, this leaves a potential gap of around £6.242m. Members can choose to adopt any or all of the following approaches in order to bridge the remaining gap:
- an increase in Council Tax;
 - use of additional government grants once these are confirmed, although noting for future planning that the majority of these are one-off in nature
 - an appropriate contribution from the Council's revenue reserves, bearing in mind the Medium Term financial position;

9 RESERVES

- 9.1 The Council has an estimated £6.5m available in General Reserves at 31 March 2021, if spending in the current year matches the approved budget. Details are contained in Table 6.

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Table 6: General Reserves as at 31 March 2021

	£m
General Fund	7.1
Planned use in 2020/21	(0.4)
Estimated Balance as at 31 March 2021	6.7

- 9.2 The Council has, in the past, planned on maintaining a minimum prudential balance currently assessed to be £4.5m. This assessment is based on the financial risks which face the Council and the Director: Resources 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.
- 9.3 The Council will also have an estimated £18.2m in the Future Funding Reserve as at 31 March 2021, which has been deliberately established to help manage the Medium Term financial position.

10 CONCLUSION

- 10.1 The Council's constitution requires a consultation period of at least six weeks 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 reviews 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 and all others will then be submitted to the Executive on 9 February 2021. This will allow the Executive to determine the final budget package and recommend the appropriate Council Tax level to the Council on 24 February 2021.

11 BUDGET MONITORING 2020/21- 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 2020/21 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 The Council is legally obliged to calculate the Council Tax Base for 2021/2022 by 31 January 2021. Section 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, imposes a duty on the Council, as a billing authority, to calculate its Council Tax by applying a formula laid down in that Section. The formula involves a figure for the Council Tax Base for the year, which must itself be calculated. The Local Authority (Calculation of Council Tax Base) (England) Regulations 2012, require a billing authority to use a given formula to calculate the Council Tax Base.

Director: Resources

- 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 I. 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 £2.25m 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: Resources, 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: Resources 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

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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 2021/22 Budget is as follows.

Executive agree proposals as basis for consultation	15 December 2020
Consultation period	16 December 2020 - 26 January 2021
Executive considers representations made and recommends budget.	09 February 2021
Council considers Executive budget proposals	24 February 2021

Background Papers

None

Contacts for further information

Timothy Wheadon – 01344 355601

Timothy.wheadon@bracknell-forest.gov.uk

Stuart McKellar – 01344 352180

Stuart.mckellar@bracknell-forest.gov.uk

Arthur Parker – 01344 352158

Arthur.parker@bracknell-forest.gov.uk