

TO: THE EXECUTIVE
DATE: 14 DECEMBER 2021

GENERAL FUND REVENUE BUDGET 2022/23
(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 revenue budget preparations for 2022/23 as a basis for that consultation. A separate report on the agenda sets out capital expenditure proposals for consultation.
- 1.2 Preparations for next year's budget have been undertaken against a backdrop of continued uncertainty on medium term funding and the impact of the pandemic.
- 1.3 The papers for this Executive meeting have had to be 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 13 December. Therefore, in the absence of the Provisional Settlement, the report is based on several high-level assumptions regarding government funding for Bracknell Forest in 2022/23. These have been informed, where possible, by the national position included in the 2021 Spending Review (SR21).
- 1.4 All comments received on these budget proposals will be submitted to the Executive on 8 February 2022 alongside any impact from the announcement of the Finance Settlement. This will allow the Executive to determine its final budget package and recommend an appropriate Council Tax level to Council, which will formally approve the 2022/23 budget and Council Tax on 23 February 2022.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Agrees the draft budget proposals for 2022/23 as the basis for consultation with the Overview & Scrutiny Commission and other interested parties or individuals.**
- 2.2 **Agrees 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 **Agrees that the 2022/23 Schools Budget be set at the eventual level of the Dedicated School Grant income plus any accumulated DSG balances and additional Council funding of £0.182m (paragraph 8.16).**
- 2.4 **Authorises the Leader of the Council to agree the allocation of the sums available for schools funding as set out in recommendation 2.3 having regard to the decisions and recommendations of the Schools Forum and to agree detailed budgets for services centrally managed by the Council.**

- 2.5 Agrees that the Council Tax Base be set at 48,249 (Band D equivalents) for 2022/23 as outlined in Annexe H.**
- 2.6 Agrees to fund identified one-off pressures from Earmarked Reserves, as specified in Annex B(ii).**
- 2.7 Approves the virements relating to the 2021/22 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 2022/23 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 2022/23 – 2024/25

- 5.1 Initial preparations for the 2022/23 budget have focussed on the Council's Commitment Budget for 2022/23 – 2024/25. 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 2021/22 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 2022/23 are set out below:
- Removal of items approved for one year only in 2021/22 including staff retention initiatives (-£0.500m), support for the local economy (-£0.600m) and people experiencing mental health issues (-£0.250m), invest to save funding to support climate change / carbon reduction initiatives (-£0.150m) and the temporary hire of modular accommodation at Sandhurst Secondary School (-£0.200m).
 - A decrease in the projected cost of the Waste PFI arrangement partly due to reductions in tonnages as a result of the introduction of food waste collections (-£0.434m).

The overall impact of these changes is to decrease the Council's Commitment Budget by £2.309m compared to the position reported in February 2021.

- 5.3 Taking account of these changes, Table 1 summarises the position and shows that base expenditure (excluding schools) is planned to decrease by £1.763m to £72.323m next year, before consideration is given to allowances for inflation and the budget proposals identified by individual services in 2022/23. The commitment budget is shown in more detail in Annexe A.

Table 1: Summary Commitment Budget 2022/23-2024/25

	Planned Expenditure		
	2022/23 £000	2023/24 £000	2024/25 £000
Base Budget	74,086	72,323	73,142
<i>Movements in Year:</i>			
Central	-1,468	-4	122
Delivery	-388	274	-31
People (excluding schools)	-927	-182	20
Non-Departmental / Council Wide	1,020	731	579
<i>Total Movements</i>	-1,763	819	690
Adjusted Base	72,323	73,142	73,832

6 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23

6.1 On 27 October 2021 the Government set out the results of the 2021 Spending Review (SR21), a multi-year Spending Review which set resource and capital budgets for 2022/23 to 2024/25 for government departments. This was published alongside the Autumn Budget 2021. The key points were:

- Core spending power for local authorities is estimated to increase by an average of 3% in real-terms each year over the SR21 period (although this assumes all Councils increase Council Tax by the maximum permissible level each year);
- The government is providing councils with £4.8 billion of new grant funding over the SR21 period (£1.6 billion each year) for social care and other services. The Government has indicated that it expects that flat cash sum to provide some front loading for any remaining impact of the pandemic;
- Funding for the cost of the increase in employer's national insurance contributions (a levy to help fund health and social care) is included in the £1.6bn as are a £200 million commitment to increase Supporting Families funding, funding for cyber security and funding to improve local delivery and transparency;
- The Business Rates multiplier will be frozen for a second year. This will be cost neutral for the Council as compensation for the loss of income will be provided via a section 31 grant;
- A new temporary business rates relief will be introduced for eligible retail, hospitality and leisure properties for 2022/23. Eligible properties will receive 50% relief, up to a £110,000 per business cap. Again, grant will be provided to ensure this is cost neutral.

The sums involved will be significant for the Council, but how the additional £1.6bn additional funding will be allocated between individual authorities has yet to be determined.

6.2 The Spending Review makes no mention of whether local government will receive a three-year financial settlement or whether and when local government finance reforms, such as the fair funding review and the move to a 75% rates retention scheme will be implemented. Further clarification is also awaited on the future of the

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New Homes Bonus and any Business Rates Baseline reset. As reforms have been further delayed it is felt a detailed multi-year settlement is now unlikely to be forthcoming.

- 6.3 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.
- 6.4 Funding from central government is currently received through a share of Business Rates, Revenue Support Grant (RSG) and Specific Grants. SR21 did not refer to RSG but it is assumed it will either be frozen at -£1.781m or increased in line with inflation (3.1%) to -£1.836m for 2022/23 (-£1.781m in 2021/22). It is expected that Business Rates Baseline Funding, the other element of the 2022/23 Settlement Funding Assessment, will be frozen in line with the Business Rates multiplier (-£16.832m).
- 6.8 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)

The NHB rewards local authorities for net additional homes added to the Council Tax Base, thereby seeking to incentivise authorities to encourage housing growth in their areas. It is unringfenced and can therefore be used for local priorities. 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;
- 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 allocations for 2020/21 and 2021/22 would be for one year only.

The SR20 confirmed that a consultation would be launched on the future of the NHB, with a view to implementing reform in 2022/23. The consultation was launched in February 2021 and made it clear that the government does not intend to reintroduce the concept of legacy payments for future allocations. Although the consultation closed on the 7 April 2021, the outcome of the consultation has yet to be published and there was no mention of NHB in SR21.

At this stage it is expected that NHB grant will be reduced by between £0.9m and £1.9m in 2022/23 (mid-range £1.4m). This reflects the fact that the legacy payment of £0.187m relating to 2018/19 has now dropped out of the calculation, housing growth in 2021/22 whilst significant is not at the exceptional levels experienced in 2020/21 (which resulted in a one-off receipt of -£2.473m in 2021/22) and any change in the scheme is likely to reduce overall funding. 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 2022/23 and SR21 has confirmed that the grant will be maintained in real terms over the next three years, however indicative figures have yet to be provided at an individual council level.

It has been assumed that all social care grants from 2021/22 will be rolled forward into 2022/23 and the Council will benefit from a share of the additional £1.6bn of grant funding. No indicative figures are available as distribution options are likely to be consulted upon through the Provisional Local Government Finance Settlement in December. Based on the proportion the Council has received from different grant streams in recent years an annual allocation of between -£1.7m and -£2.2m (-£1.95m mid-range) is felt to be realistic.

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 2022/23, 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.

Specific grant was also received in 2021/22 to help meet the costs of the pandemic but as this was one-off in nature it has been removed from the budget proposals (£2.654m). No further grant to support the pandemic is expected in 2022/23.

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. 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 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. The Government has stated that it will move all telecommunications networks onto the Central Rating List in April 2023, which will affect the treatment of this company and remove a large part of the Council's retained growth at that point.
- 6.12 An unavoidable consequence of this has been significant volatility in Bracknell Forest's Collection Fund balance each year since 2014. In 2020/21 a deficit of -£11.498m was projected on the Business Rates element of the Collection Fund. This was entirely due to the additional Business Rates reliefs granted by the

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Government after income estimates were submitted at the beginning of the year. Section 31 grant was provided in 2020/21 to compensate councils for the resultant loss of income and this was subsequently transferred into the Business Rates Reliefs Reserve at the year-end so that it can be used to fund the deficit when it becomes payable in 2021/22. The deficit has been reversed out of the budget proposals in Table 5 due to the one-off nature of this cost. A final projection for the Collection Fund in 2021/22 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 for the same reason as last year with section 31 grant again being received as compensation.

- 6.13 The timing of the introduction of a new Business Rates system is uncertain but it won't be until at least 2023/24. To coincide with this, it is expected that a fair funding review will be used to 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 timing of any baseline reset which could be actioned in isolation is also uncertain. 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. It is expected that the Government will provide some clarity before Christmas, in the Provisional Settlement announcement.
- 6.14 Changes to the Central List for Business Rates to be introduced in 2023/24 will mean that all of the additional business rates that the Council has secured through the company referred to above will no longer benefit Bracknell Forest. 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 -£66.826m in 2022/23. 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. The Council Tax Base for 2022/23 has been calculated as 48,249 Band D equivalents (see Annexe H) which at current levels would generate total income of -£67.702m in 2022/23. This represents a net increase of 595 (-£0.834m) arising from the occupation of new properties during 2022/23 plus a small decrease in the take-up of the Local Council Tax Benefit Support Scheme (-£0.042m).
- 7.2 The surplus/deficit on the Council Tax element of the Collection Fund in 2021/22 will need to be assessed by the 15 January 2022. Early indications are that there will be a modest surplus.
- 7.3 The Government limits Council Tax increases by requiring councils to hold a local referendum for any increases equal to or more than a threshold percentage which is normally included in the Local Government Financial Settlement. Following the outcome of SR21, 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 1%. In 2021/22 the Council was given the option of setting an additional adult social care precept of up to 3% which could be raised in 2021/22 or spread across two financial years. 1.5% was raised in 2022/22 leaving the option to raise a further 1.5% in 2022/23, which would be in addition to the 2%+1% referred to above. Each 1% increase in Council Tax

would generate approximately -£0.677m 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 2022/23

Service Pressures and Developments

- 8.1 In preparing the 2022/23 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	230
Delivery	1,130
People (excluding schools)	2,627
Non-Departmental / Council Wide	1,262
Total Pressures/Developments	5,249

- 8.2 As in 2021/22, a Best Case and Worst Case approach has been adopted when identifying pressures with the Council's draft budget reflecting the Best Case position as shown in Table 2 above. The additional potential impact of the worst case scenarios (£1.789m) will be a key factor to consider when setting an appropriate level for the General 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 (£2.529m);
 - providing education and skills (£0.745m);
 - providing value for money (£1.633m);
 - protecting and enhancing the environment (£0.070m).
- 8.4 A number of one-off pressures were also identified during the budget deliberations and it is proposed that these are funded in the current year from earmarked reserves. Details are contained in Annexe B(ii). Many are related to securing additional specialist expertise to help develop key strategies, in line with the Council Plan objectives
- 8.5 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.
- 8.6 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

- 8.7 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 -£2.869m 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	-327
Delivery	-1,100
People (excluding schools)	-472
Non-Departmental / Council Wide	-970
Total Savings	-2,869

Significant Budget Decisions

- 8.8 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.
- 8.9 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

- 8.10 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 2022/23 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 £9.009m and externally funded (including self-funding schemes) programme of £7.037m for 2022/23 features in a separate report on tonight's agenda. After allowing for projected receipts of approximately £2.0m (including CIL) and a

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higher level of cash inflow from S106 and other contributions, in 2022/23 and carry forwards, the additional revenue costs will be £0.067m in 2022/23 and £0.367m in 2023/24.

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 2022/23 and beyond.

The Council reviews the annual Treasury Management Strategy Statement under the requirement of the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”). The Local Government Act 2003 required the Council to “have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the capital investment plans are affordable, prudent and sustainable”. Annex F outlines the Council’s prudential indicators for 2022/23 – 2024/25 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.

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut the Bank Rate to 0.10%, it left the rate unchanged at its subsequent meetings.

There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC’s 2% target after the spike up to around 5%. The forecast includes five increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe given the level of uncertainty that still exists around the world and in the UK.

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

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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 £4.400m (£1.198m 2021/22) has been added to the draft budget proposals on the assumptions that:

- 2022/23 pay awards will be 2% (the unexpected 2021/22 pay award has also had to be funded based on the latest offer by national employers of 1.75%);
- Employers NI contributions will be increased by 1.25% for the levy to help fund health and social care (noting that additional grant will be received that is supposed to cover the additional cost)
- contracts will be negotiated where possible to minimise inflation;
- fees and charges will be increased 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 2022.

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) Contingencies

The Council manages risks and uncertainties in the budget by way of a general Corporate 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.

In 2021/22, for pressures, due to the uncertainty surrounding the continuing impact of the pandemic, both worst case and best case scenarios were considered as part of the budget setting process. Directorate budgets were set on the basis of the best case scenario, with additional funds placed in a Covid-19 specific contingency (£3.417m) to meet additional pressures as they arise during the year. A similar process has been followed for 2022/23 however all

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risks to the 2022/23 budget will be managed by way of the General Contingency as the impact of the pandemic has reduced.

At this stage the General Contingency has been maintained at £2.250m, however, this will continue to be reviewed to ensure the risk associated with Worst Case pressures are adequately reflected within the allocation.

The Executive will need to make a judgement on the appropriate level of contingency at its February meeting, taking advice from the Executive 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

- 8.11 Structural changes by the Department for Education (DfE) to the way schools and education in general are funded have generally concluded and are intended to result in an efficient, simple and predictable funding system that is fair and supports pupils to achieve their potential by removing historical differences in funding allocations. 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.
- 8.12 To enable a measured move to the new framework, transitional arrangements will remain in place with local authorities continuing to set school budgets, 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 was published in July with further consultations required as decisions are taken that reflect on responses, although the commitment to remove the responsibility for calculation of school budgets from local authorities remains. At this stage, to maintain stability in the recovery from Covid-19, no new changes to the framework are to be introduced until April 2023 at the earliest.
- 8.13 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.
- 8.14 The SR21 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 2022/23, the DfE has increased the Bracknell Forest per pupil funding element of school budgets by 2.8%.
- 8.15 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

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continues. During this period, new schools need additional financial support to cover what can be significant diseconomies of scale.

- 8.16 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. The remaining £0.182m is proposed to be applied to the 2022-23 budget.
- 8.17 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.
- 8.18 Funding for SEND pupils is forecast to increase by 8.1% (£1.56m) next year to £20.74m. Whilst a substantial increase, this would still be insufficient to fund the forecast cost increase of circa £7.5m which arises from significant increases in both the numbers of pupils requiring support and the complexity of need. This is a national issue with the council working closely with the Schools Forum on a change programme.
- 8.19 In light of the significant financial pressures that councils are experiencing on the High Needs (HN) budgets (those intended to support pupils with SEND) the DfE introduced new rules to make clear that any accrued deficit is not a liability on councils but remains a DfE responsibility. Additionally, the DfE has also introduced a more rigorous monitoring and intervention regime where council areas have deficit balances or experience a significant reduction in a surplus.
- 8.20 In respect of DfE liability to underwrite accumulated debt on HN budgets, recent communications have suggested that this is a 3-year time limited period to enable councils to move towards a position of containing annual expenditure within annual income and that councils should be planning to manage any accumulated debt at April 2023 from their own resources. Without any interventions, the forecast balance for HN budgets is a cumulative deficit of £20m. This is clearly not an affordable position for a small unitary authority like Bracknell Forest and it is essential that emerging plans to address the deficit are agreed quickly and enacted by the Council and schools.
- 8.21 In terms of the more rigorous DfE monitoring and intervention regime, as the accumulated DSG balance at 31 March 2021 amounted to a £2.6m deficit, meetings are now being held with officers of the council and the Executive Member for Children, Young People and Learning. Through these the Council will explain the action plan it is putting in place to address the rising costs being experienced and how and when this will achieve a balanced budget.
- 8.22 Taking account of this information, -£113.63m of grant income is estimated to be available to the Council for 2022/23 through the specific ring-fenced Dedicated Schools Grant (DSG). This comprises -£84.47m for the Schools Block, -£7.56m for the Early Years Block, -£20.74m 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

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(-£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 2022/23.

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 2022. To meet this requirement, 2022/23 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 2021. To meet 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 2.4 in this report. Since there are funding proposals in 2022/23 specifically affecting a school where the Executive Member serves on the Governing body, it is proposed this year that the decision is delegated to the Leader of the Council.

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 £89.355m as shown in Table 5.

Table 5: Summary of proposals:

	£'000
Commitment Budget	72,323
Budget Pressures	5,249
Budget Economies	-2,869
Capital Programme	67
Inflation Provision	4,400
Reversal of the one-off transfer into the Business Rates Reliefs Reserves for the projected Collection Fund - Business Rates deficit in 2020/21	11,498
Reduction in new Homes Bonus (mid-range)	1,400
One-off Covid-19 grant received in 2021/22	2,654
Share of addition £1.6bn funding for social care and other services (mid-range)	-1,950
Removal of Covid-19 specific contingency	-3,417
Draft Budget Requirement 2022/23	89,355

- 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 -£86.342m. This arises from Revenue Support Grant (-£1.808m mid-range), Business Rates baseline funding (-£16.832m) and Council Tax at the 2021/22 level (-£67.702m).
- 8.29 With the potential overall cost of the budget package being consulted on in the region of £89.355m, this leaves a potential gap of around £3.013m. Should the final budget proposals include the Worst Case pressures the budget gap would increase to £4.877m. 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;

9 RESERVES

- 9.1 The Council has an estimated £10.3m available in General Reserves at 31 March 2022, if spending in the current year matches the approved budget. Details are contained in Table 6.

Table 6: General Reserves as at 31 March 2022

	£m
General Fund	10.3
Planned use in 2021/22	(0.0)
Estimated Balance as at 31 March 2022	10.3

- 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 Executive 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 £18.4m in the Future Funding Reserve as at 31 March 2022, 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 8 February 2022. This will allow the Executive to determine the final budget package and recommend the appropriate Council Tax level to the Council on 23 February 2022.

11 BUDGET MONITORING 2021/22- 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 2021/22 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

Legal Comments

- 12.1 The Council is legally obliged to calculate the Council Tax Base for 2021/2022 by 31 January 2022. 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.

Finance Comments

- 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 Executive 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 Executive Director: Resources will report his findings in February, when the final budget package is recommended for approval.

Climate Change Implications

- 12.6 There are no implications arising from the proposals in this report, which are presenting draft budget options for consultation.

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 2022/23 Budget is as follows.

Executive agree proposals as basis for consultation	14 December 2021
Consultation period	15 December 2020 - 25 January 2021
Executive considers representations made and recommends budget.	08 February 2022
Council considers Executive budget proposals	23 February 2022

Background Papers

None

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