

TO: THE EXECUTIVE
DATE: 18 OCTOBER 2022

Revenue Budget Update
(Executive Director: Resources)

1 PURPOSE OF REPORT

- 1.1 Recognising the scale of the financial pressures the Council is currently facing due to inflation and service demand, this report provides an update to the Executive on the Council's financial situation in the current year and a forward look to the potential financial position in future years. It also highlights a number of key pressures that, if not responded to quickly, are likely to present further financial difficulties in the period ahead.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Notes the identified best-case and worst-case scenarios for the Council's current year financial position summarised in Table 1 and detailed in Annex A;**
- 2.2 **Approves drawing the full £1.5m from the earmarked reserve for Inflationary Costs to support the current year's budget, as proposed in paragraph 5.3;**
- 2.3 **Endorses the actions agreed by the Corporate Management Team to help contain expenditure in the current year as set out under paragraph 5.5;**
- 2.4 **Supports the proposed responses to immediate budget priorities set out in the report and specifically:**
- a) **approves drawings from reserves to meet time-limited costs proposed for core foster care allowances (£0.154m in 2022/23, paragraph 5.10), social worker recruitment and retention subject to detailed review by the Employment Committee (£0.190m, paragraph 5.15) and SEND support service staffing (£0.271m + £0.197m + £0.022m, paragraphs 5.25, 5.27 and 5.28); and**
 - b) **approves inclusion in the Commitment Budget 2023/24 funding of £0.371m for core foster care allowances (paragraph 5.10), additional funding and associated savings of £0.115m and -£0.179m respectively related to the enhanced foster care approach, £0.456m for social worker recruitment and retention proposals (paragraph 5.15) and £0.052m for SEND support service staffing (paragraph 5.28);**
- 2.5 **Notes the Council's predicted medium-term financial prospects detailed in paragraphs 5.29 to 5.53 and summarised in Table 3;**
- 2.6 **Reaffirms its support for the 7 key principles to guide budget preparations set out under paragraph 5.54.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations are intended to ensure that the Executive is aware of the Council's current and predicted future financial position.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Executive could choose not to support expenditure on the proposed priority areas. This is not recommended as the measures proposed are viewed as preventing more significant cost increases in the period ahead.

5 SUPPORTING INFORMATION

Current Year Financial Position

- 5.1 The Council approved the current year's budget and council tax at its in-person meeting on 24 February 2022. Consideration at the time was given to the outlook for the economy as a whole, the impact of demographic changes and the resulting pressures on services and other risks contained within the proposed budget. The Contingency was set at £1.9m in the final budget proposals, to make an allowance for the identified risks. With the budget including almost £8m of service pressures and over £4m to cover the predicted impact of inflation, the 2022/23 original budget was felt to be realistic and manageable.
- 5.2 Early budget monitoring reports re-affirmed this feeling. Based on the first departmental returns using actuals to the end of May, an overall underspend of between £0.7m and £1.9m was predicted, although it was noted that pay and price inflation was an emerging risk to this position. Recognising this, the Executive Director: Resources had established a new earmarked reserve of £1.5m in the 2021/22 accounts closedown, specifically to cover rising inflationary costs.
- 5.3 By the next monitoring return, based on actual expenditure and income to the end of June, the position had deteriorated by £1.1m. The most recent monitoring information presented to the Corporate Management Team on 21 September is summarised in Table 1 below and shows a further deterioration of between £0.25m and £0.4m, indicating a predicted overspend after allowing for the corporate contingency of up to £0.843m (worst case). This, however, excludes the impact of an increased national pay award above the 2% budgeted, with a flat rate increase of £1,925 (equivalent to 5.4% for Bracknell Forest, £1.8m above the sum allowed for) having been proposed but not agreed. It is most likely that this will be rejected by unions and potentially be increased further. Against this backdrop, it is recommended that the full £1.5m earmarked reserve set aside for Inflationary Costs is drawn down to increase the overall budget for the year. Even with this included, the predicted position indicates that an overspend in the current year is a realistic outcome.

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Table 1: Latest Predicted 2022/23 Budget Out-turn

	Current Approved Budget £000	Predicted Variance Best Case £000	Predicted Variance Worst Case £000
Central Directorates	16,740	358	762
Delivery Directorate	17,367	971	1,324
People Directorate	61,958	807	1,531
Non-Departmental	-16,536	-941	-941
Sub-Total	79,529	1,195	2,676
Contingency	1,833	-1,833	-1,833
Sub-Total - Approved Budget	81,362	-638	843
Unbudgeted Pay Award (minimum)	0	1,800	1,800
Inflation Reserve	1,500	-1,500	-1,500
Overall Position	82,862	-338	1,143

5.4 Information about the variances being reported against approved budgets is included in the detailed budget monitoring report attached as Annex A to this report.

5.5 Having considered this position, the Corporate Management Team at its meeting on 21 September agreed the following mitigating actions to help ensure a balanced position by the end of the year:

- The Chief Executive will write to all staff, explaining the current budget position caused primarily by inflationary pressures affecting the whole economy, and setting out the measures below;
 - a. With immediate effect, all non-essential purchases should cease;
 - b. The scope to use remaining resources to manage any current or new vacancies either permanently or for a temporary period should be fully explored before new appointments are made, to minimise the need for compulsory redundancies to balance the budget in the period ahead;
 - c. With immediate effect, any proposed new recruitment requires Assistant Director or Executive Director approval;
 - d. The position will be kept under close review in the months ahead and a formal in-year emergency budget will be instigated if the predicted year end position continues to materially deteriorate.

5.6 The Executive is asked to support these measures.

Immediate Budget Priorities

5.7 Despite the difficult position the Council is facing financially, as set out above and in the forward look section that follows, there are some service and financial risks being faced that are likely to be exacerbated in the months ahead if they are not responded to quickly. These are set out below with the request that the Executive agrees to support the identified additional expenditure from 1 November 2022 to 31 March 2023, funded by drawing from reserves given the current year's budget position, with the on-going impact included in the Commitment Budget for 2023/24.

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a) *Foster Carer Allowances*

- 5.8 Within the Council's Business Change Programme is a project to review the approach to supporting children looked after. The aim of the Placements is to: "Improve local placement range and stability for children, by reducing Bracknell Forest Council's dependency on external placements and improving recruitment and retention of foster carers within the Borough."
- 5.9 Without in-house foster carers, the Council has to rely on Independent Fostering Agencies (IFAs) and residential placements with external providers. These placements are typically very costly, and most importantly, can lead to disruption for children being placed further away from home. Benchmarking analysis demonstrates that Bracknell Forest Council does not currently have a competitive offer in place for our foster carers, when compared against neighbouring local authorities. This creates a significant risk in relation to recruitment and retention of in-house foster carers and an increased need for alternative placement types.
- 5.10 Allowances for Bracknell Forest foster carers have therefore been reviewed and it is proposed that they be increased from 1 November 2022, to help ensure that we can continue to recruit and retain high-quality, local foster carers. The proposed new allowance structure consists of an uplift to the average weekly allowance for all foster carers, a new annual allowance for birthdays and celebrations, an annual retention payment and two weeks' paid respite. This is to be supplemented with a targeted weekly skills payment and additional funding for recruitment and marketing. Details of these elements are set out in Appendix A and will cost an additional £0.371m in a full year, with the cost in 2022/23, assuming implementation on 1 November 2022, of £0.154m.
- 5.11 It is also proposed to introduce an "enhanced foster care" scheme, initially focused on a six-month pilot, with the expectation that it will be expanded if successful using an "invest to save" approach. The proposal is to supplement the "core" allowances with additional weekly skills and complexity payments, where very experienced and skilled foster carers are able to support children who would otherwise require independent placements. The pilot involves "stepping down" two children from residential care placements into local in-house "enhanced" foster carers, who will also be supported by an additional part-time Social Worker. The additional costs of the approach will be £0.061m in the current year and £0.093m in 2023/24, more than offset by the associated reductions in the residential care budget (£0.115m and £0.179m respectively). With both children turning 18 in Spring 2024, the pilot savings and costs will reverse in 2024/25 but may be replaced by other similar enhanced fostering arrangements, should these be appropriate for the child and cost beneficial.

b) *Social Worker Recruitment and Retention*

- 5.12 A project team established early in 2022 comprising HR&OD specialists and representatives from Adults and Childrens' Social Care has explored the current market factors and comparative salaries (locally and nationally) for social care staff. This followed long-standing difficulties in recruiting and retaining these specialist staff, which has been a key factor in the need to engage agency workers to cover vacancies in the agreed establishment. These challenges are being faced by many service areas, leading to the cost of agency workers across the Council totalling £5.7m in 2021/22, a significant proportion of which have been covering statutory social care roles in the People Directorate.

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- 5.13 The insights and data gathered provided a solid base from which to understand the risks of not acting at this crucial time with the significant challenges we face in implementing forthcoming policy and legislation changes, most notably in Adult Social Care, which will add to existing staffing pressures. Given the forthcoming challenges in this area, there is every expectation that other local authorities will be reviewing their pay arrangements for these staff.
- 5.14 There is currently a pay differential between the social work workforce in adults and children’s services. Currently, the majority of social workers in children’s services benefit from market premia or annual retention payments. It has previously not been felt essential to introduce such measures for staff working in adult services, where the market has not been so competitive. This is already changing and further changes enhancements are expected due to a limited supply market and increased demand for such staff to fulfil the requirements of the Government’s charging reforms.
- 5.15 From the evidence gathered through the review, there was a justification to increase the base salary level for social workers generally. Due to the current pay differentials between the adult social work workforce and parts of children’s social work, the recommendations proposed are likely to impact more positively in adult social care. The Council’s Constitution states that any decision to change pay arrangements for large areas of the Council’s workforce rests with the Employment Committee. However, the scale of the financial impact is such that the Executive is being asked to support the proposals in principle and approve the necessary funding should it be required in advance of their being considered by the Committee. This totals £0.456m in a full year, £0.190m in the current year assuming implementation from 1 November 2022.
- 5.16 These costs reflect an expected reduction in the number of agency workers employed by Adult Social Care, due to the enhanced package for “on-payroll” staff. The anticipated reductions are as set out in the table below. There are currently concerns in Children’s Social Care that there is not currently a local market for permanent staff that can be tapped into, which will be reviewed further. At this stage the proposed changes are therefore predominantly aimed at retaining existing staff.

Table 2: Anticipated Reduction in Agency Staff from Social Care Proposals

	Posts currently covered by agency	Potential reduction	Reduction (%)
Adult Social Care	9.1	4.5	49%
Mental Health Services	12.2	4	38%

- 5.17 In summary, the proposed new pay and grading scheme for all social workers is based around 3 career pathways. This demarcates roles from early career up to leadership and management level positions and outlines the growth opportunities within each pathway. This will provide:
- a) new generic job descriptions for social work roles that align to the current and future agenda for social care, ensuring consistency between adult and children’s services;
 - b) increased base salary levels;
 - c) flatter pay structure to encourage career development and movement within the pathways from early career to leadership and management roles to grow and retain talent;
 - d) aligned training and career development including apprenticeships to each role within the pathways.

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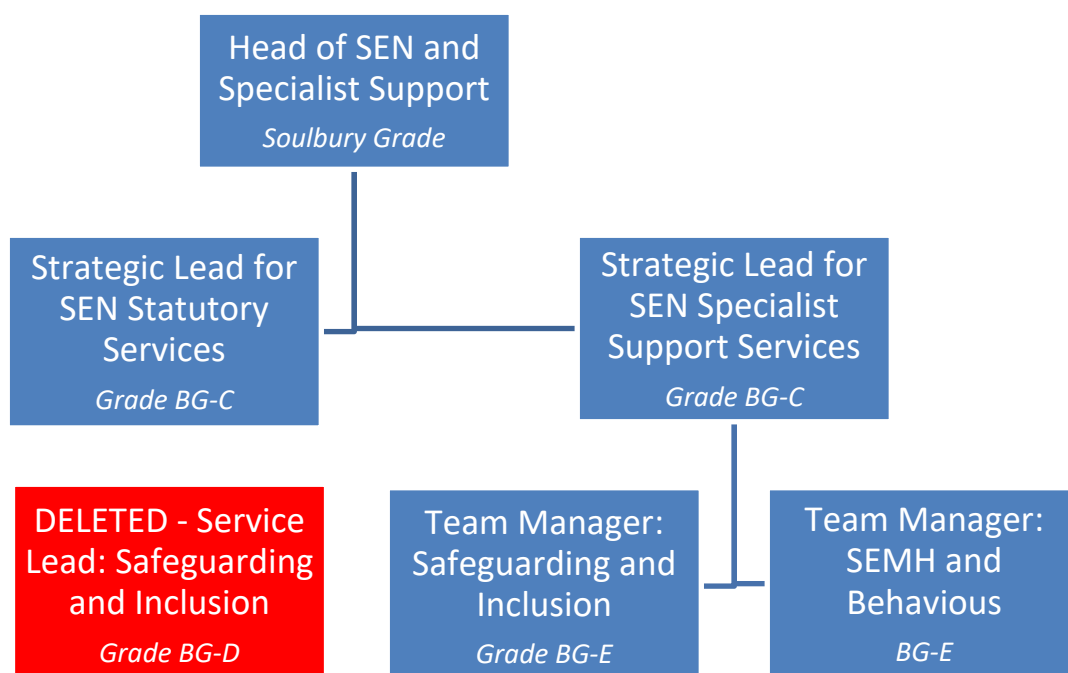
- 5.18 If implemented, the proposals will remove the requirement for most market premium payments (except at Head of Service level) and replace them with higher substantive salaries. There will continue to be a requirement in children's services to maintain annual retention payments, albeit at lower levels than currently, to ensure there is no detriment in the total reward package. Comparisons of current and proposed revised pay and benefit levels are attached as Appendix B.
- 5.19 In terms of comparators, the proposals for the adult workforce will place social workers and occupational therapists at the top of current pay levels in the surrounding areas. However, as Bracknell Forest is the first Council to review pay arrangements for these workers, it is unlikely that this will be the case for long.
- 5.20 Full details of the analysis and proposals will be presented to the Employment Committee for detailed consideration. The funding request which the Executive is asked to support in principle is conditional upon the Committee supporting the proposed approach.

c) Education Support Service (Special Educational Needs and Disabilities service) Staffing

- 5.21 The structure of the SEND team was changed in February 2019 to include a single Head of Children's Support Services, with a broad agenda to cover and a large number of service managers to support. The structure was being reviewed at the time of the Ofsted and CQC Inspections, with a belief that there was insufficient leadership capacity to drive forward the SEND agenda alongside broader responsibilities such as safeguarding, inclusion, behaviour, SEMH and specialist teaching.
- 5.22 The inspection feedback supports the need for greater accountability and leadership "grip" within the Education and Learning team, particularly with a focus on SEND. It also highlights a lack of capacity in the team generally, most critically at this time when significant improvements are required to the service from both customer and financial perspectives. A new structure is therefore being proposed to address these concerns, to provide a service that is fit for purpose and capable of delivering on the significant improvements required.
- 5.23 The proposed structure is being brought forward for consideration in the context of the Government's intention to implement major educational reforms between 2024 and 2030. The Schools Bill and the SEND Green Paper 2022 outline the detail of these intentions.
- The Schools Bill makes provision for the regulation of Academies; about school and local education funding; the attendance of children at school; the regulation of independent educational institutions; teacher misconduct; and for connected purposes. The Bill was due for its 3rd reading in the House of Lords on 14 September 2022, but this has been delayed.
 - The SEND Green Paper – 'SEND review: right support, right place, right time', sets out the Government's proposals for a system that offers children and young people the opportunity to thrive, have access to the right support, in the right place, and at the right time, so they can fulfil their potential and lead happy, healthy and productive adult lives.
- 5.24 Given these forthcoming changes, the recommendation is to implement a fixed time, interim structure, to provide stability and robustness over the next two years and enable a focus on delivering the improvements required in response to the Ofsted

inspection and Written Statement of Action. A further review of the structure would then be undertaken early in 2024 when the details of the educational reforms are known.

- 5.25 At a leadership level, it is proposed to re-instate the currently vacant Head of SEN and Specialist Support Services role for a fixed term of two years. This post would be supported by two Strategic Lead posts, covering SEN Statutory Services and SEN Specialist Support Services. In a change to the current interim arrangements and reflecting the higher-level post above them, these posts would be downgraded to Bracknell Grade C. After consideration and feedback from service users, the current Service Lead BG-D post that covers both Safeguarding and Inclusion will be deleted and its responsibilities split into two BG-E roles, reporting into the Strategic Lead for Specialist Services. The senior level structure will therefore look as follows, with an additional cost over two years to be funded from reserves totalling £0.271m.



- 5.26 In addition to the proposed time-limited changes to the leadership structure, additional operational posts are required to address the weaknesses and gaps identified by the inspections. Four new posts have been identified, three time-limited and one highlighted as an on-going requirement.
- 5.27 It is proposed to appoint a Business Manager (BG-F) on a fixed one year contract to focus on embedding the practice and culture change requirements of the necessary service improvements. This will include supporting the development and implementation of SEN data and associated finance systems to ensure processes and streamlined and fit for purpose. In addition, a SEND Engagement Officer and part time Participation Officer are proposed for two-year fixed term periods (both BG-G), to improve customer engagement and ensure the voice of the child is captured and represented in service design and delivery. These time limited posts will cost £0.197m over the next two years, to be funded from one-off reserves.
- 5.28 A permanent Pathway for Adulthood Officer (BG-F) will address specific feedback from Ofsted that there is a lack of future aspiration and appropriate placements for children as they approach adulthood. This has led to relatively high numbers of young people with SEND who are classed as Not in Education, Employment and Training (NEET). This re-introduces a post that existed and was well-regarded in a

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previous structure with an on-going full year cost of £0.052m from April 2023. Part year costs of £0.022m will also be incurred in the current year, assuming 1 November appointment, to be funded from one-off reserves.

Medium-Term Prospects

5.29 Key factors in projecting the Council's medium-term financial position are:

- The level of general grant support to be provided by Central Government, which is affected by the overall level of funding available for Local Government and the funding system used to distribute this;
- Specific grants received for current and new responsibilities;
- New spending pressures and inflationary increases that are added to the base (commitment) budget each year;
- Savings that can be identified and implemented to mitigate additional cost pressures;
- Annual council tax increases within the levels allowed by Government and the number of new properties in the Borough paying Council Tax;
- Levels of reserves available to support the budget, recognising that these are one-off in nature.

5.30 The sections below set out current assumptions for each of these factors, based on the information known at this time. With the current local government finance settlement applying only to the current year and not beyond, there is inevitably a large degree of uncertainty in the planning assumptions that will only be removed when the 2023/24 provisional finance settlement is announced, most likely in mid-December.

Government Grant Support

5.31 Funding levels for local government overall up to 2024/25 were published as part of the Government's 2021 Spending Review. Other than planned increases in funding for Adult Social Care reforms, grant funding over the period is broadly flat. With the sector, alongside all residents and businesses, facing significant financial pressures from inflationary cost increases this would clearly represent a material reduction in real terms funding. At this time, however, there are no signs that Government is minded to provide additional funding for the public sector in 2023/24.

5.32 In terms of the local government funding system, it seems very unlikely that any changes will be introduced next year arising from the long-term Fair Funding and Business Rate Retention System reviews. However, there will be a business rate revaluation impacting in April 2023. This will introduce changes to the amounts of business rates collectable in individual areas, which are typically matched by compensating adjustments to grant funding to ensure no impact (at least immediately) on local authorities' resources.

5.33 Alongside this, the Government has indicated its intent to move a number of hereditaments, notably large scale telecommunications networks, onto its Central List from local lists. Members will be aware of the significant impact of this on Bracknell Forest, which has been anticipated and planned for for some time. The Executive Director: Resources has engaged positively with officials around this change and engaged specialist external advice to put forward options for consideration that would mitigate the impact of this transfer as far as possible. Having issued an informal discussion paper with affected local authorities in August, the Government issued a formal consultation on 2 September with responses required by 30 September. In simple terms, the proposal is to treat transfers to the Central List in the same way as

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other changes from the wider revaluation. This would be a better outcome than we could reasonably have hoped for, as it will broadly protect the Council's income levels. Officers will therefore be writing in support of the consultation proposal.

- 5.34 Based on this information, it is assumed that there will be no change to the Council's baseline funding including business rate retention between 2022/23 and 2023/24. Previous assumptions had included a reduction of around £4m due to business rate changes.
- 5.35 There are other less significant but still important specific grants that the Council is receiving in 2022/23, notably the long-standing New Homes Bonus (£2.3m income) and the Services Grant (£1.2m income) introduced in 2022/23. With the Government still not having issued a formal response to the 2021 consultation on NHB, which rewards local authorities for housing growth, it is assumed that this will remain broadly as in the current year, although a reduction of around £0.3m is likely since the current year's figure reflected a year of unprecedented housing growth in the Borough. It is possible that the Services Grant could remain the same as in the current year, although should Ministers wish to redistribute funding across the country this would be the obvious vehicle to use. While the future of the levelling up agenda under a new Prime Minister is not yet clear, there is a risk that at least some of this grant could be transferred from the South East to other parts of the country. A 50% reduction in Bracknell Forest's allocation has therefore been assumed for planning purposes.
- 5.36 The most significant funding and service issue in 2023/24 relates to the introduction of the Adult Social Care reforms, including the cap on individual client contributions and the "fair cost of care" arrangements. There are great concerns amongst local authorities across the country around the impact of these reforms, most particularly in the south of England which has a much higher proportion of "self-funders" who will benefit from the cap in their contributions towards the costs of their care, after which the funding responsibility passes to their local authority. Modelling of the potential financial impact has been undertaken by many authorities, including Bracknell Forest, which indicates that the cost impact could well be many times the level of grant funding that has been earmarked nationally. At this stage there remain very high levels of uncertainty around the actual impact and it is possible that fundamental changes may be made to the approach and timing of the reforms. For that reason, our working financial assumption, which is shared amongst our neighbouring authorities, is that the costs will broadly match the level of grant funding we will receive. A rough estimate, based on how other grants for adult social care have been distributed in recent years, is that additional income and additional costs will total around £1.7m. This assumption will be kept under close review as and when further details of the reforms are announced by the Government in the months ahead.

Inflation, Pressures and Savings

- 5.37 The budget preparations for 2023/24 are being undertaken against the backdrop of the highest inflation rates the country has seen for thirty years. It is therefore inevitable that the allowance for inflation will need to be significantly higher than our typical provision of £2m - £3m, which rose to £4.4m in the 2022/23 budget. This figure included an allowance of 2% for the current year's pay award.
- 5.38 As highlighted in paragraph 5.3 above, the national employers body has this year offered a flat rate £1,925 increase for local government workers. For Bracknell Forest, this equates to an average increase of 5.4%, equivalent to £1.8m above the available budget. The impact of the final approved pay award (which may be higher

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as it has not yet been accepted by the major unions) will need to be reflected in the 2023/24 inflation provision, in addition to an allowance for next year's pay offer. While many economic commentators are predicting that the current inflation rate is likely to fall quickly, it is highly likely that it will remain well above levels in recent years for the next twelve months. It is therefore proposed at this stage to allow for pay awards totalling 9.5% across this year and next, an additional 7.5% above the level currently budgeted for, equating to £3.8m.

- 5.39 The same figure of 7.5% is proposed at this time for inflation on non-pay costs, with the exception of electricity and gas which are covered in the paragraph below. This represents an additional cost of service delivery of £6.1m. There is a risk that this may not be sufficient to cover full contractual price rises, many of which are based on the inflation rate at a specific point in the year. Should that be the case, officers will need to identify options to contain expenditure within the approved budgets at their disposal. Members will be made aware in advance if this will have a material impact on front line service levels.
- 5.40 It is widely known that energy prices will increase significantly faster than the headline inflation rate. Increases in electricity prices of 150% and gas prices of 350% are likely. The Council has arrangements in place to forward purchase these commodities and around 50% of the predicted energy required in 2023/24 has been secured to date. This allows the impact of energy inflation to be estimated with a reasonable degree of accuracy, even at this early stage in the budget preparations. It is proposed to allow a reasonably prudent figure of £2.5m for planning purposes, an average increase of 166%, a blended rate that recognises 84% of the Council's energy budgets are for electricity. It is possible that this figure may reduce as further forward purchases are made.
- 5.41 Recognising the impact of these inflationary increases on the Council's costs, it is proposed that our fees and charges also work towards average increases of 7.5%, which would generate additional income of £1.9m. As always, there will be some service areas where charges are market driven and this level of increase is not sustainable. Individual service areas will need to make this assessment in calculating fees and charges for Members to consider as part of developing the Council's draft budget proposals that will be published in December.
- 5.43 In addition to additional inflationary costs, the Council's budget is affected each year by other cost pressures, notably relating to increased demand for services. It is too early at this stage of the budget process to accurately predict the scale of these for 2023/24. However, Members will recall that pressures in each of the last two years have totalled around £7.5m.
- 5.44 Although the Council has delivered savings totalling over £100m since it was created in 1998, there is still a requirement to identify and deliver further savings each year to help balance the overall budget, mitigating some of the additional cost pressures. As with the pressures, it is too early at this stage to know what level of savings may be identified for 2023/24. However, the level of savings in each of the past two years has also been consistent, at £2.7m.
- 5.45 Should the changes to Business Rates referred to in 5.32 and 5.33 be confirmed, the level of funding risk the Council has faced for many years will be significantly reduced. This would enable the regular setting aside of funding to protect against that risk to be reversed, freeing up £3.3m of flexibility in the budget that could be used to partly mitigate against the high inflationary pressures.

Council Tax

- 5.46 In publishing the local government finance settlement the Government sets an assumption around the level of Council Tax increase for each local authority as part of its Spending Power calculation. This is always based on the maximum permitted increase being applied, which is normally the position taken by all but a small number of local authorities.
- 5.47 In 2022/23 the permitted general Council Tax increase for upper tier authorities was 2.99%, comprising a 1.99% standard increase and a further 1% Social Care precept. It is unknown whether the current level of inflation will lead Ministers to permit higher council tax increases in 2023/24. At this stage, it is assumed that the same level of increase will be permitted as in 2022/23 and Bracknell Forest Council will apply this. The decision on the actual level of increase will not be taken until February, when the overall shape of the funding settlement and the Council's final budget proposals for the year are known.
- 5.48 In addition to this, the Council will receive additional Council Tax income due to an increase in the number of properties in the Borough. At this stage, this is estimated at £1.0m. The actual figure will be confirmed when the taxbase is agreed in December.

Reserves

- 5.49 The Council has intentionally accumulated a relatively high level of reserves in recent years, planning for a significant loss of Business Rates income from Government changes to the local and central lists, referred to in paragraph 5.33 above. The Future Finding Reserve currently stands at £18.4m and General Reserves at March 2022 were £11.3m, with £0.8m budgeted to be used to support the current year's budget. The recommended minimum level of General Reserves is £4.5m, meaning that in total £26.4m of reserves are currently available to support future year budgets.
- 5.50 In determining the level of reserves to be used in any one year, it is fundamentally important to remember that these resources are one-off. Any use of reserves therefore simply delays the need for on-going savings to be generated to secure a long-term, sustainable financial position. With funding changes expected to be introduced from 2023/24, materially reducing the Council's resources, its medium term financial strategy had previously assumed using reserves of around £6m - £7m to avoid an immediate cliff edge effect arising from the changes. The use of reserves was thereafter planned to gradually reduce in the following years, offering a "glide path" to a future position where on-going resources matched on-going spending.
- 5.51 While the challenge we now expect to face in 2023/24 is different than envisaged, being driven by inflationary cost increases rather than a significant drop in funding, the outline strategy around the planned use of reserves remains valid.
- 5.52 Table 3 below draws together the planning assumptions in paragraphs 5.29 to 5.51 together to give an indication of the future financial prospects. It is particularly important to note that the level of pressures and savings from 2023/24 onwards are included simply for illustrative purposes, informed by figures in previous years' budgets. Actual proposals for 2023/24 will be published as part of the Council's draft budget in December.

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Table 3 – Illustrative Medium Term Financial Prospects

	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Base Revenue Budget (adjusted for one-offs)	83.7	90.5	103.4	108.6
Commitments	-0.2	0.8	0.5	0.3
Inflation (excluding energy)	4.4	8.0	3.5	3.0
Inflation (electricity and gas)		2.5	-2.0	0.0
Reduction in Contingency (to £1.9m)	-0.4			
Identified / Assumed Future Savings	-2.3	-2.3	-2.3	-2.3
Identified / Assumed Future Pressures (best case)	7.6	5.9	5.2	5.2
Change in Business Rates growth over baseline	0.0	0.0	0.0	0.0
Reverse budgeted transfers to reserves		-3.3		
Increase in Social Care Grants	-1.0			
ASC reforms cost estimate		1.7	2.4	2.4
ASC reforms funding estimate		-1.7	-2.4	-2.4
Fair Cost of Care Grant	-0.2			
Services Grant / reduction (from £1.2m 22/23)	-1.2	0.6		
Use of Specific Reserves for One-Off Pressures	-0.4	0.4		
New Homes Bonus / reduction (from £2.3m 22/23)	0.5	0.3	0.3	0.3
Expenditure	90.5	103.4	108.6	115.1
Grant and Business Rates Baseline	-18.7	-18.7	-18.7	-18.7
Council Tax (+ 2.99%) TBC	-70.7	-72.8	-76.0	-79.2
Collection Fund Surplus (Council Tax)	-0.3			
Use of General / Future Funding Reserves	-0.8	TBD	TBD	TBD
Council Taxbase Growth	0.0	-1.0	-0.9	-0.8
Resources	-90.5	-92.5	-95.6	-98.7
Cumulative Gap (Before Use of Reserves)	-0.0	10.9	13.0	16.4
Annual Gap (Before Use of Reserves)		10.9	2.1	3.4

5.53 In summary, this shows that the Council will need to either reduce pressures or identify further savings to bridge an identified gap of £16.4m over the next three years to 2025/26. While the gap is currently significantly front loaded, the Council is able to use its available reserves to smooth the phasing over time.

5.54 In order to guide work to identify where savings would be achieved, the Executive has previously identified 7 key principles in August 2020, that remain valid:

- We would:
 1. Aspire to excellence in what we do so we can live within our means;
 2. Consolidate the recent growth in social care spending into our financial plans but work towards a small reduction in real terms;
 3. Concentrate on targeted early intervention and preventative activities to reduce future demand for more expensive services;

Unrestricted

4. Seek no funding for new service growth unless in exceptional circumstances, apart from a strategic priority around climate change and agreed manifesto commitments;
5. Refocus transformation and other savings programmes and quantify savings “envelopes” for all projects;
6. Expect all service areas to deliver spending reductions throughout the period to bridge the identified budget gap, focusing on but not limiting efforts to restrict areas of limited or manageable public impact;
7. Increase fees and charges as much as reasonably possible every year to maximise income.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The Council is required to make arrangements for the proper administration of its financial affairs. As part of those arrangements, it is under a duty to monitor its budgets throughout the financial year and to take appropriate action to deal with any deterioration in the financial position revealed by the regular monitoring.

Financial Advice

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

Equalities Impact Assessment

- 6.3 The Council’s budget proposals impact on a wide range of services. Detailed consultation is undertaken on the draft budget proposals when they are published in December each year to provide individuals and groups the opportunity to provide comments.

Strategic Risk Management Issues

- 6.4 The Council’s strategic risk register contains a specific risk highlighting “significant pressures on the Council’s ability to balance its finances whilst maintaining satisfactory service standards”. While this is a long-standing issue, the situation in the current year and future year prospects mean that the risk is particularly difficult to manage at the current time. This paper has been brought to the Executive at this time to ensure there is a shared understanding of the situation and to agree an outline approach to achieving financial sustainability over the medium-term, to help focus more detailed work on specific options over the coming months.

7 CONSULTATION

- 7.1 A detailed consultation will be undertaken on the Councils draft budget proposals for 2023/24 after they are published in December 2022.

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