

TO: THE EXECUTIVE
DATE: 13 DECEMBER 2022

GENERAL FUND REVENUE BUDGET 2023/24
(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 2023/24 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. While the Government's Autumn Statement provided some high-level figures for public spending up to 2024/25, indications are that spending cuts will be needed beyond this period to secure a stable footing for the nation's finances.
- 1.3 The papers for this Executive meeting have had to be published before detailed funding for local authorities is set out in the Provisional Local Government Financial Settlement announcement. This is expected to be announced in the week commencing 19 December, later than ever before. Therefore, in the absence of the Provisional Settlement, the figures in this report can only be based on high-level assumptions regarding government funding.
- 1.4 All comments received on these budget proposals will be submitted to the Executive on 7 February 2023 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 2023/24 budget and Council Tax on 22 February 2023.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Agrees the draft budget proposals for 2023/24 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 2023/24 Schools Budget be set at the eventual level of the Dedicated School Grant income plus any accumulated DSG balances.**
- 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 48,756 (Band D equivalents) for 2023/24 as outlined in Annexe H.**
- 2.6 Approves the virements relating to the 2022/23 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 2023/24 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 2023/24 – 2025/26

- 5.1 Initial preparations for the 2023/24 budget have focussed on the Council's Commitment Budget for 2023/24 – 2025/26. 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 2022/23 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 2023/24 are set out below:
- Additional ICT savings (-£0.240m) and leisure contract fee income (-£0.189m) identified as part of the 2022/23 budget process.
 - A decrease in the projected cost of the Waste PFI arrangements due to reductions in tonnages and increases in recyclates income (-£0.172m).
 - Additional funding agreed by the Executive in October primarily relating to Foster Care allowances and social worker recruitment and retention initiatives (£0.793m).

The overall impact of these changes is to increase the Council's Commitment Budget by £0.130m compared to the position reported in February 2022.

- 5.3 Taking account of these changes, Table 1 summarises the position and shows that base expenditure (excluding schools) is planned to increase by £1.019m to £89.132m next year, before consideration is given to allowances for inflation and the budget proposals identified by individual services in 2023/24. The commitment budget is shown in more detail in Annexe A.

Table 1: Summary Commitment Budget 2023/24-2025/26

	Planned Expenditure		
	2023/24 £000	2024/25 £000	2025/26 £000
Base Budget	88,113	89,132	89,314
<i>Movements in Year:</i>			
Central	-411	203	-161
Delivery	-303	-241	-16
People (excluding schools)	570	-73	-20
Non-Departmental / Council Wide	1,163	293	178
<i>Total Movements</i>	1,019	182	13
Adjusted Base	89,132	89,314	89,327

6 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2023/24

- 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. Other than planned increases in funding for Adult Social Care reforms, grant funding for local government over the period was broadly flat. With the local government 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.
- 6.2 The Autumn statement on 17th November 2022 introduced changes to the SR21 funding levels, the most significant being:
- £1 billion of new grant funding next year for social care, increasing to £1.7 billion from 2024/25;
 - Delaying the planned Adult Social Care charging reforms from October 2023 to October 2025, but allowing funding intended for implementation to be retained in council budgets to help meet current pressures (£1.3 billion in 2023/24 rising to £1.9 billion in 2024/25);
 - Further council tax flexibilities, including increasing the core referendum limit for increases in Council Tax from 2% to 3% per year from 2023/24. In addition, councils with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. This will make available an anticipated additional £1.7 billion to local authorities over the next two years, assuming councils make use of the flexibilities available, which Government figures assume they will.
 - Confirmation that there will be a Business Rates Revaluation to take effect from 1 April 2023. A £13.6 billion support package has been announced to protect ratepayers facing increases. This includes a freezing of the Business Rates multipliers for 2023/24, a Transitional Relief scheme to limit the rate at which bills can increase, a more generous Retail, Hospitality and Leisure Relief scheme, and a Supporting Small Business scheme to cap bill increases for businesses that lose relief due to the revaluation. Councils will be fully compensated for any loss of income or new burdens resulting from these measures by way of section 31 grant;

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- Removal of funding to support the 1.25% increase in employer's national insurance contributions following the decision to reverse the increase from 6 November 2022;
 - The core schools budget will receive £2.3 billion of additional funding in 2023/24 with a further £2.3 billion in 2024/25.
- 6.3 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. It has been confirmed, however, that as well as the business rate revaluation impacting in April 2023 certain hereditaments will be transferring from local lists to the Central List.
- 6.4 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. A policy statement on the Department for Housing, Levelling Up and Communities' (DLUHC's) approach to the Provisional Settlement is also expected in early December, but it is unclear what form this will take.
- 6.5 Funding from central government is currently received through Revenue Support Grant (RSG), a share of Business Rates and Specific Grants. For planning purposes, it has been assumed that RSG will be frozen in 2023/24 (-£1.781m).

Business Rates

- 6.6 Business Rates is an important income stream for the Council with a proportion being 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), periodic revaluations, 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 multipliers (-£16.832m). 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. It has therefore been assumed that the net effect of these changes will be cost neutral at this stage.
- 6.7 Alongside the revaluation, the Government has indicated its intent to move several hereditaments, notably large scale telecommunications networks, onto its Central List from local business rates lists. This includes a large multi-national company currently on Bracknell Forest Council's Local List, representing in monetary terms the largest such transfer to be faced by any local authority in the country. This had the potential to have a significant impact on Bracknell Forest's income and was a change that had been anticipated and has been planned for, insofar as this was possible given the lack of precedent. 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 councils in August, the Government issued a formal consultation on 2 September containing an approach that has been supported by the Council. In simple terms, the proposal is to treat transfers to the Central List in the same way as other changes from the wider revaluation. This is expected to produce a better outcome than could reasonably have been hoped for, broadly protecting the Council's income levels, with previous assumptions including a reduction in resources of around £4m due to business rate

changes. However, the complexity of introducing the central list changes alongside the wider adjustments needed for a full revaluation in 2023 means we will only be able to confirm the actual impact of this change after the Provisional Settlement announcement.

- 6.8 While the Government has signalled for many years that it would like to make fundamental changes to the current Business Rates retention system of local government funding, it is improbable that this will happen until at least 2024/25. To coincide with this, it is expected that a Fair Funding review will be used to calculate new baseline funding levels for individual councils based on an up-to-date assessment of their relative needs and resources. It has been envisaged that 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 when it is introduced. 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.
- 6.9 In 2021/22 a deficit of £2.428m was projected on the Business Rates element of the Collection Fund. As this primarily related to the additional Business Rates reliefs granted by the Government, this will be funded from the Business Rates Reliefs Reserve in 2022/23, which was created using Government grant provided for this purpose. 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 position in 2022/23 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, primarily relating to increases in the provisions for appeals and impairments. This deficit can also be funded from Business Rates Reliefs Reserve.

Specific Grants

- 6.10 The Council also receives substantial external funding through several specific grants. The future of these is currently unclear and assumptions have had to be made in projecting the Council's grant funding, as follows.

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 from 2020/21 onwards would be for one year only.

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A consultation was launched in February 2021 and made it clear that the government did not intend to reintroduce the concept of legacy payments for future allocations. Although the consultation closed on the 7 April 2021, the Government's response has yet to be published and the 2022/23 allocation was based on the existing methodology.

At this stage it is expected that NHB grant will reduce by £1.500m. This assumes the existing methodology is unchanged and reflects the fact that the legacy payment of £0.217m relating to 2019/20 has now dropped out of the calculation, housing growth has reduced from the record levels recently experienced and the number of properties empty for more than six months has increased since last year. The actual grant amount will be confirmed in the Provisional Settlement.

b) Services Grant

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. Although the Autumn Statement did not specify which grant would be affected, the overall allocation is also expected to reduce to remove grant previously provided for the 1.25% increase in employers National Insurance contributions. A 50% reduction in Bracknell Forest's allocation (£0.6m) has therefore been assumed for planning purposes.

c) Other Specific Grants

Some of the largest specific grants received by the Council are for Public Health and Social Care. The introduction of the Adult Social Care reforms, including the cap on individual client contributions and the "fair cost of care" arrangements was expected to be a significant funding and service issue for 2023/24. There were great concerns amongst councils 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 the local council in whose area they reside. Modelling of the potential financial impact had been undertaken by many councils, including Bracknell Forest, which indicated that the cost impact could well be many times the level of grant funding that has been earmarked nationally.

The Autumn Statement has confirmed that the reforms have been delayed by two years until October 2025 and that any funding intended for implementation can be retained in council budgets to help meet current pressures in the meantime. This is worth £1.3billion nationally in 2023/24 rising to £1.9billion in 2024/25 with the impact for Bracknell Forest estimated to be an additional £1.5m of grant income. New grant funding will also be made available for social care in general - £1 billion in 2023/24 increasing to £1.7 billion from 2024/25, estimated to be worth an additional £1.1m for the Council. The actual allocations are expected to be confirmed in the Provisional Settlement. It has been assumed that all other social care grants from 2022/23 will be rolled forward into 2023/24 at current levels.

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 2023/24, 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.

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The ring-fence on Public Health is likely to be retained in 2023/24 but there have been no indications of funding levels for 2023/24 at a national or local level.

Information on several other smaller grants normally follows several days or weeks after the Provisional Settlement and changes from these announcements will be incorporated into the February budget report to the Executive.

7 COUNCIL TAX

- 7.1 Council Tax at present levels will generate total income of -£70.742m in 2023/24, before any change to the Tax Base is factored in. 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 2023/24 has been calculated as 48,756 Band D equivalents (see Annexe H) which at current levels would generate total income of -£71.486m in 2023/24. This represents a net increase of 749 (-£1.099m) arising from the occupation of new properties during 2023/24, partly offset by a 10% increase in the take-up of the Local Council Tax Benefit Support Scheme (£0.355m).
- 7.2 The surplus/deficit on the Council Tax element of the Collection Fund in 2022/23 will need to be assessed by the 15 January 2022. Early indications are that there will be a deficit of around £0.55m which will increase the budget gap.
- 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. In 2022/23 the Government set 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%. The Autumn Statement confirmed that the core referendum limit will be increased to 3% per year from 2023/24 and that councils with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. The maximum Council Tax increase that could be agreed without a referendum in 2023/24 would therefore be 4.99%. Each 1% increase in Council Tax would generate approximately -£0.715m of additional income.
- 7.4 The Executive at its meeting in February will recommend to Council the level of Council Tax considering the Local Government Finance Settlement, the results of the consultation and the final budget proposals.

8 BUDGET PROPOSALS 2023/24

Service Pressures and Developments

- 8.1 In preparing the 2023/24 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	561
Delivery	1,600
People (excluding schools)	2,206
Non-Departmental / Council Wide	0
Total Pressures/Developments	4,367

8.2 Many of the pressures are simply unavoidable as they relate to current levels of demand or legislation changes. They do, however, also support the six strategic themes included in the new Council Plan in the following way:

- caring for residents and their families (£2.089m);
- providing education and skills (£0.144m);
- providing value for money (£1.075m);
- protecting and enhancing the environment (£0.600m).

8.3 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.

8.4 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

8.5 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 -£7.698m and is attached at Annexe C and summarised in Table 3. This is a significantly higher level of savings than have been identified in previous years and include savings of £5.0m that are unrepeatable. 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	-505
Delivery	-778
People (excluding schools)	-2,718
Non-Departmental / Council Wide	-3,697
Total Savings	-7,698

Significant Budget Decisions

8.6 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.

8.7 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

- 8.8 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 2023/24 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 Community Infrastructure Levy receipts), government grants, developer contributions or borrowing. The proposed Council Funded Capital Programme of £6.427m and externally funded (including self-funding schemes) programme of £5.866m for 2023/24 features in a separate report on tonight's agenda. After allowing for projected receipts of approximately £2.25m (including CIL), S106 and other contributions, and carry forwards, the additional revenue costs will be £0.096m in 2023/24 and £0.333m in 2024/25.

b) Interest and Investments

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 2023/24 – 2025/26 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 wrought huge economic damage to the UK and to economies around the world with the Bank of England (BoE) taking emergency action in March 2020 to cut the Bank Rate to 0.10%. There were however increasing grounds for viewing the nascent economic recovery as running out of steam during 2022 with the potential for stagflation creating a dilemma for the Monetary Policy Committee (MPC) as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

A number of events came to dominate both global and domestic economies over the last 12 months. Supply chain difficulties continued to force prices higher, and with an exceptionally tight labour market, inflation continued to rise in 2022. These problems were overshadowed by the war in Ukraine which has had a tumultuous impact on energy prices around the world. The Consumer Prices Index (CPI), the government preferred indicator of inflation, rose to over 10% - a 40 year high – forcing the BoE to begin a series of Bank Rate increases.

In August 2022 the MPC increased Bank Rate to 1.75%, with a further rise in September to 2.25%. As a result of political events in Westminster, a new government was formed and brought forward a step change in government policy

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aimed at delivering faster growth in the UK economy by cutting taxes in addition to supporting the intense energy pressures faced by the public. Unfortunately, the UK Treasury did not follow normal practices and the Fiscal Event was published without an analysis by the Office for Budget Review (OBR) and the economic markets took fright at the amount of unfunded tax cuts and future borrowing requirements. The market turmoil that followed led to a spike in market borrowing rates and a substantial fall in the pound. This led to the formation of a new Government and almost all the measures reversed in the proceeding weeks.

As such, whilst domestic factors have largely been unravelled, the UK still faces historically high inflation, a substantial risk of recession and the potential for further economic shocks from global insecurity, a resurgence of COVID limiting impacts on growth and general financial-market risk. This led the MPC to raise interest rates again to 3% in November 2022.

In terms of current market views, pricing for December's meeting remains at 3.5% with markets continuing to expect the BoE to hike rates to 4.0% by February 2023 and to finish the year close to 4.75%.

Whilst the Council is no longer debt-free the level of internal resources has enabled the Council to avoid any new external borrowing since 2018. Increases in the base rate of this magnitude will clearly benefit the Council if it can continue to rely on internal resources to fund its Capital Programme and offers the potential for higher investment returns in the short-term. Looking further ahead, when the Council does return to a borrowing position the cost of servicing debt will be much higher than rates obtained to date.

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. It will be important to have realistic discussions with key providers about what level of inflation is genuinely necessary on some contracts and placements.

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 the typical provision of £2m - £3m, which rose to £4.4m in the 2022/23 budget. The latter figure included an allowance of 2% for the current year's pay award.

The national employers' body has this year offered a flat rate £1,925 increase for local government workers which has been accepted. For Bracknell Forest, this equates to an average increase of 5.4%, equivalent to £1.8m above the available budget. This will need to be reflected in the 2023/24 inflation provision, in addition to an allowance for next year's pay offer. At this stage a 4% pay award has been assumed for 2023/24 (equating to £2.0m) which will be partly offset by the reversal of the 1.25% increase in employers National Insurance contributions introduced in April 2022 (-£0.4m).

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A figure of 7.5% is proposed at this time for inflation on non-pay costs and fees and charges, except for electricity and gas which are covered in the paragraph below. This represents an additional net cost of service delivery of £4.9m. 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.

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 300% are likely. The Council has arrangements in place to forward purchase these commodities and a significant proportion of the predicted energy required in 2023/24 has been secured to date. This allows the impact of energy inflation to be estimated with some accuracy. It is proposed to allow a figure of £1.5m for planning purposes. This figure will be refined as further forward purchases are made.

For planning purposes, a total sum of £9.800m (£4.368m in 2022/23) has therefore been added to the draft budget proposals based on the assumptions above.

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 2023.

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. Although directorates have been asked to work towards increases of 7.5%, Council policy requires the level of charges to be considered 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) Contingency

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 2022/23 Directorate budgets were set on the basis of the best case scenario and all risks to the budget were managed by way of the General Contingency as the impact of the pandemic had reduced. An earmarked reserve was also created

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(£1.5m) at the end of 2021/22 to mitigate inflationary pressures. This will be fully utilised in 2022/23.

In 2023/24, all risks will continue to be managed by way of the General Contingency. At this stage the Contingency has been increased by £0.1m to £2.0m, however, this will be kept under review .

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

- 8.9 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.
- 8.10 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.
- 8.11 To enable a measured move to the new framework, transitional arrangements remain in place with local authorities continuing to set school budgets, within parameters set by the DfE. From 2023/24 councils are required to move their local funding formula to be at least 10% closer to the funding values in the SNFF than in 2022/23. As the council is already closely mirroring the SNFF, which is expected to continue into 2023/24, no action is necessary to meet this new requirement.
- 8.12 The initial DfE funding announcement for 2023/24 indicated an average 1.9% increase in pupil funding in England. For Bracknell Forest, initial estimates indicate an average 2.0% increase in per pupil funding. The Autumn Statement announced a further £2.3bn funding for schools. Whilst precise details on the implications from this have yet to emerge, this is expected to increase average per pupil funding by a further 3.5% to a total increase of around 5.5%. The Institute of Financial Studies comments that it restores 2010 levels of per pupil funding in real terms and provides an average cash increase for every pupil of more than £1,000 by 2024/25 compared to 2021/22.
- 8.13 Whilst schools will undoubtedly face significant cost pressures next year, the financial pressure recently experienced on the Schools Budget arising from the cost of new schools that are being built in response to new housing has significantly reduced. This reflects the greater number of pupils in these schools reducing the need for top up payments to fund diseconomy and other costs. Current data, which is subject to update at the end of the year, indicates diseconomy and related costs will reduce by £0.606m.

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- 8.14 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.
- 8.15 Funding for SEND pupils is forecast to increase by 5.0% (£1.3m) next year to £22.99m. 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.
- 8.16 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 for a 3-year period to 31 March 2023, 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.
- 8.17 In respect of DfE liability to underwrite accumulated debt on HN budgets, recent communications have suggested that due to the on-going, significant financial challenges being faced by a high number of councils that the 3-year time limited period will be extended. Full details have yet to be confirmed on the expected change, with the current forecast balance for HN budgets at 31 March 2023 being a cumulative deficit of £22.8m. 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.
- 8.18 In terms of the more rigorous DfE monitoring and intervention regime, the Council is currently working with the DfE through its Delivering Better Value (DBV) programme. This new programme aims to support councils to improve delivery of SEND services for children and young people while ensuring services are sustainable. Working with external specialists, this is an outcomes focussed, evidence-based programme rooted in co-production and is expected to result in a bid to the DfE for additional grant funding of approximately £1m.
- 8.19 Taking account of this information, -£119.90m of grant income is estimated to be available to the Council for 2023/24 through the specific ring-fenced Dedicated Schools Grant (DSG). This comprises -£87.94m for the Schools Block, -£8.13m for the Early Years Block, -£22.99m for the High Needs Block and -£0.84m for the Central Schools Services Block.
- 8.20 In addition to the DSG, schools also receive revenue funding from other specific grants including School Sixth Forms (currently -£1.689m), the Pupil Premium (-£2.077m), Primary PE and Sports Premium (-0.438m) and the Universal Infant Free School Meals Grant (-£1.198m). All these amounts are subject to change in 2023/24.

Spending on schools – decision making

- 8.21 Setting the overall level of the Schools Budget and the operation of the funding formula that distributes the money to schools is a statutory council function. In practice, the Schools Forum is asked to consider a range of proposals and it is expected that its recommendations are implemented, except in exceptional circumstances. The Schools Forum is legally required to determine how much of the overall schools funding is centrally managed by the council.

Unrestricted

- 8.22 The DfE requires councils to confirm the basis on which actual school budgets will be allocated, including per pupil and all other funding rates, by 20 January 2023. To meet this requirement, 2023/24 school budgets will have to be set based on the estimated level of DSG plus any other grants and accumulated balances. The draft budget proposals are prepared on this basis.
- 8.23 The approval timescale is very tight, with the DfE only expected to release the data that councils must use to set school budgets towards the end of December 2022. To meet the DfE's timescale of approval by 20 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.

Summary

- 8.24 Adding the draft proposals to the Commitment Budget and taking account of the corporate issues identified above would result in total expenditure of £97.725m as shown in Table 5.

Table 5: Summary of proposals:

	£'000
Commitment Budget	89,132
Budget Pressures	4,367
Budget Economies	-7,698
Capital Programme	96
Inflation Provision	9,800
Increase in Contingency	100
Reversal of the one-off transfer from the Business Rates Reliefs Reserve for the projected Collection Fund - Business Rates deficit in 2021/22	2,428
Reduction in New Homes Bonus	1,500
Reduction in rebadged Services Grant	600
Increase in Social Care Grants	-1,100
Adult Social Care reforms funding	-1,500
Draft Budget Requirement 2023/24	97,725

- 8.25 Without the Provisional Finance Settlement, assumptions have had to be made on the level of grant income. It has been assumed that the Council can anticipate income of up to -£89.605m. This arises from Revenue Support Grant (-£1.837m), Business Rates baseline funding (-£16.832m), Council Tax at 2022/23 levels (-£71.486m) and the Collection Fund – Council Tax deficit (£0.550m).
- 8.26 With the potential overall cost of the budget package being consulted on in the region of £97.725m, this leaves a potential gap of around £8.210m. Members can choose to adopt any or all of the following approaches in order to bridge the remaining gap:
- an increase in Council Tax;

Unrestricted

- an appropriate contribution from the Council's revenue reserves, bearing in mind the Medium Term financial position;
- identification of further savings proposals.

9 RESERVES

- 9.1 The Council has an estimated £10.57m available in General Reserves as at 31 March 2023, if spending in the current year matches the approved budget. Details are contained in Table 6.

Table 6: General Reserves as at 31 March 2023

	£m
General Fund	11.35
Planned use in 2022/23	(0.78)
Estimated Balance as at 31 March 2023	10.57

- 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 £19.9m in the Future Funding Reserve as at 31 March 2023, 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 during the consultation period 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 7 February 2023. This will allow the Executive to determine the final budget package and recommend the appropriate Council Tax level to the Council on 22 February 2023.

11 BUDGET MONITORING 2022/23- 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 2022/23 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 2023/2024 by 31 January 2023. 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 £2.00m 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 2023/24 Budget is as follows.

Executive agrees proposals as basis for consultation	13 December 2022
Consultation period	14 December 2022 - 24 January 2023
Executive considers representations made and recommends budget.	07 February 2023
Council considers Executive budget proposals	22 February 2023

Background Papers

None

Contacts for further information

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

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