

TO: THE EXECUTIVE
DATE: 12 DECEMBER 2023

GENERAL FUND REVENUE BUDGET 2024/25
(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 2024/25 as a basis for that consultation. A separate report on the agenda sets out capital expenditure proposals for consultation.
- 1.2 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 the 18 December. Therefore, in the absence of the Provisional Settlement, the figures in this report can only be based on high-level assumptions regarding government funding.
- 1.3 All comments received on these budget proposals will be submitted to the Executive on 6 February 2024 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 2024/25 budget and Council Tax on 21 February 2024.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Agrees the draft budget proposals for 2024/25 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 2024/25 Schools Budget be set at the eventual level of the Dedicated School Grant income plus any accumulated DSG balances.**
- 2.4 **Authorises the Executive Member for Children, Young People and Learning to agree the allocation of the sums available for schools and Early Years 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 **Notes that a separate report is included on the agenda for this Executive meeting regarding the Council's participation in the Department for Education's Safety Valve programme, that is likely to significantly affect the Council's**

medium to long-term financial prospects and may impact on the draft budget proposals for 2024/25 included in this report.

- 2.6 Agrees that the Council Tax Base be set at 49,694 (Band D equivalents) for 2024/25 as outlined in Annexe H.**
- 2.7 Approves the virements relating to the 2023/24 budget as set out in Annexes F and G and recommends those that are over £0.100m for approval by Council.**
- 2.8 Approve the write-off of £54,150 for a commercial property debt that is no longer recoverable (see paragraph 12.1).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations are designed to allow the Executive to consult on its draft budget proposals for 2024/25 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 2024/25 – 2026/27

- 5.1 Initial preparations for the 2024/25 budget have focussed on the Council's Commitment Budget for 2024/25 – 2026/27. 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 2023/24 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 2024/25 are set out below:
 - Removal of one-off initiatives agreed for 2023/24 only, relating to additional Council Tax Support, Town Centre events and an additional Housing and Welfare Officer (cost neutral on the budget as they were met from Earmarked Reserves or one-off grants).
 - The full year effect of savings relating to the transfer of housing stock from Downshire Homes Limited (a wholly owned subsidiary) to the Council which were identified as part of the 2023/24 budget process (-£0.240m).
 - An increase in the Minimum Revenue Provision for capital expenditure, primarily relating to the need to increase the annual provision for Commercial Property resulting from changes in government guidance (£0.249m).
 - An increase in the payments required to meet prior year pension deficits (£0.295m). This reflects the phased increase agreed with the Berkshire Pension Fund and the impact of schools converting to academies.
 - A pressure was included in the 2023/24 budget to give the Forestcare service the necessary capacity to move to a sustainable position. This was due to be reversed in 2024/25 but with the service not projecting a break even position in the current year that is no longer possible (£0.153m).
 - The full year effect on interest payments, of the use of balances in 2023/24 (£0.111m).

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The overall impact of these changes is to increase the Council's Commitment Budget for 2024/25 by £0.613m compared to the position reported in February 2023.

- 5.3 Taking account of these changes, Table 1 summarises the position and shows that base expenditure (excluding schools) is planned to increase by £0.915m to £90.748m next year, before consideration is given to allowances for inflation and the budget proposals identified by individual services in 2024/25. The commitment budget is shown in more detail in Annexe A.

Table 1: Summary Commitment Budget 2024/25-2026/27

	Planned Expenditure		
	2024/25	2024/25	2026/27
	£000	£000	£000
Base Budget	89,287	90,202	90,445
<i>Movements in Year:</i>			
Central	-103	-7	-90
Delivery	-241	16	-15
People (excluding schools)	37	-20	0
Non-Departmental / Council Wide	1,222	254	337
<i>Total Movements</i>	915	243	232
Adjusted Base	90,202	90,445	90,677

6 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25

- 6.1 On 12 December 2022, the Government published a policy statement which not only covered its high level intentions for the Local Government Finance Settlement in 2023/24 but also provided additional information relating to the 2024/25 settlement. It confirmed that the core settlement would continue in a similar manner for 2024/25. The major grants would continue as set out for 2023/24: RSG will continue and be uplifted in line with Baseline Funding Levels (i.e., linked to CPI and the Business Rates multiplier) and the Social Care Grant and other social care grants would increase as set out in the Autumn Statement 2022 (published on 17 November 2022).
- 6.2 The Autumn Statement 2022 confirmed the following increases in social care funding for 2024/25:
- Further repurposed money from delaying charging reforms of £612m (from £1.265 billion in 2023/24 to £1.877 billion in 2024/25). Based on the 2023/24 allocations this would increase Social Care Grant by a further -£0.682m.
 - An additional £400m distributed through the Better Care Fund to get people out of hospital on time into care settings and split 50:50 between Local Government and Health. Based on the 2023/24 allocations this would increase the Adult Social Care (ASC) Discharge Fund by -£0.143m.

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- An additional £283m to help support capacity and discharge. Based on the 2023/24 allocations this would increase the ASC Market Sustainability and Improvement Fund by a further -£0.427m.
- 6.3 The policy statement also referred to a potential new funding stream in 2024/25, subject to successful delivery of the Extended Producer Responsibility for packaging (EPR) scheme in 2023/24. Under the EPR regulations, retailers and packaging suppliers would have to pay for the full cost of recycling and disposing of their packaging. Implementation of the proposals has now been deferred until October 2025 with first payments to councils now expected to be made between then and December 2025. As a result, any impact on the finance settlement will be pushed back until 2025/26.
- 6.4 The Autumn Statement 2023 (published on 12 November 2023) provided some additional information on Business Rates for 2024/25. The small business multiplier will be frozen for a fourth consecutive year whereas the standard multiplier will be uprated in line with September CPI inflation (6.7%). This is the first time that the two multipliers have had different increases applied to them and this will have an impact on the finance settlement. A technical consultation issued at the end of September talked about the possibility of decoupling the two multipliers, however, as its outcome has not been published, the finer details of how this will operate in practice and be factored into the settlement are still uncertain. The 75% Business Rates discount for retail, hospitality and leisure sites has also been extended for another year. It is expected that, as in previous years, additional Section 31 grant will be provided to compensate for the loss of income from the freezing of the small business multiplier and the granting of additional reliefs.
- 6.5 In terms of the local government funding system and the long-term Fair Funding and Business Rate Retention System reviews, it seems very unlikely that any changes will be introduced until 2026/27 at the earliest.
- 6.6 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.

Revenue Support Grant

- 6.7 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 increase by -£0.043m (2%) to -£2.191m in 2024/25.

Business Rates

- 6.8 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. The baseline tends to be linked to the change in the Business Rates multipliers which are in turn linked to September CPI. It has been assumed that the baseline will only increase by -£0.349m (2%) to -£17.811m in 2024/25. This assumption will be revisited when the finer details of the decision to freeze the small business multiplier but inflate the standard multiplier have been published.

6.9 There are a number of other factors that can impact on the overall level of Business Rates income that the Council can expect and the final budget position:

- A revaluation exercise was carried out in 2023/24 where changes in business rates collectable were typically matched by compensating adjustments to grant funding to ensure no impact (at least immediately) on local authorities' resources. This exercise was completed based on the data available at the time, but this will now be updated in 2024/25 to reflect the final valuation list and information included the Council's end of year return on the 2022/23 outturn position.
- The Council receives section 31 income to cover the loss of income resulting from the capping or freezing of Business Rates increases in several previous years and the impact of several Business Rate Reliefs. The changes announced in the Autumn Statement 2023 will impact on the level of this income, but that impact has still to be determined.
- In January 2023 a large deficit of £4.980m was projected on the Business Rates element of the Collection Fund for 2022/23. This was partly funded in the 2023/24 budget by a one-off contribution from the Business Rates Reliefs Reserve (£4.480m) which has now been reversed. The position on the Collection Fund will need to be projected for 2023/24 by the end of January 2024. At this stage a significant deficit is expected, which is primarily linked to the VOA's decision to reduce the rateable values of a number of properties within the Lexicon and to backdate this to 2017. With any deficit on the Collection Fund needing to be recovered in the next year's budget, this will need to be met either by reducing spending by an equal sum in 2024/25 or from the Council's reserves. A sum of £6.26m is included in the Council's Earmarked Reserves for Business Rates Revaluations.
- Successful appeals in the Lexicon will also impact on the level of Business Rates income receivable by the Council in 2024/25 and future years. At this stage a net ongoing reduction of £0.5m has been assumed.

The overall impact on the Council's budget will not be known until the provisional settlement is published, the deficit on the Collection Fund for 2023/24 has been finalised, and the Council has completed its estimate of the Business Rates collectable for the year and the impact of any reliefs and grant income receivable. The latter exercise forms part of the completion of the National Non Domestic Rates (NNDR1) return which is usually required to be submitted to Government at the end of January.

6.10 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 unlikely that this will happen until 2026/27 at the earliest. 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.

Specific Grants

6.11 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.

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 2023/24 allocation was based on the existing methodology.

At this stage it has been assumed that the allocation methodology remains unchanged and that NHB grant will reduce by £0.300m. This reflects the fact that although the level of housing growth has been sustained, the number of properties empty for more than six months has also increased (which has a negative impact on grant levels). The actual grant amount will be confirmed in the Provisional Settlement.

b) Services Grant

It has been assumed that the grant will be maintained at the same level in 2024/25.

c) Other Specific Grants

Some of the largest specific grants received by the Council are for Public Health and Social Care. The 2022 Autumn Statement confirmed further increases to social care grants in 2024/25 and this has been covered in paragraph 6.2.

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 2024/25, in line with the overall NHS

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long-term settlement. It has been assumed that this will be cost neutral for the Council at this stage.

The ring-fence on Public Health is likely to be retained in 2024/25 but there have been no indications of funding levels for 2024/25 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 -£75.053m in 2024/25, 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 2024/25 reflects the actual taxbase position at the end of November and an allowance for further properties being added to the Council Tax list until March 2025. It has been calculated as 49,694 Band D equivalents (see Annex H) which at current levels would generate total income of -£76.497m in 2024/25. This represents a net increase of 725 (-£1.116m) arising from the occupation of new properties during 2024/25 combined with a 7% decrease in the take-up of the Local Council Tax Benefit Support Scheme (-£0.328m).
- 7.2 The surplus/deficit on the Council Tax element of the Collection Fund in 2023/24 will need to be assessed by the 15 January 2022 and reflected in the final budget proposals. Indications at this time are that a small deficit may be expected.
- 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. The Government's December 2022 Policy Statement confirmed that for 2024/25 the core council tax referendum principles would be the same as 2023/24. The referendum limit for increases to council tax will remain at 3% per year and in addition, councils with social care responsibilities will be able to increase the adult social care precept by up to 2%. The maximum Council Tax increase that could be agreed without a referendum in 2024/25 would therefore be 4.99%. Each 1% increase in Council Tax would generate approximately -£0.765m 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 budget consultation and the final budget proposals.

8 BUDGET PROPOSALS 2024/25

- 8.1 The Council's medium-term financial strategy is underpinned by an assumption that any new service pressures and developments will be funded by identifying an equivalent level of economies and savings. This recognises that additional grant and council tax income is normally sufficient to fund only inflationary cost pressures. The draft budget proposals set out in this report for consultation broadly achieve this, with proposed pressures and economies both totalling around £5.6m.

Service Pressures and Developments

- 8.2 In preparing the 2024/25 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	1,504
Delivery	1,296
People (excluding schools)	2,585
Non-Departmental / Council Wide	270
Total Pressures/Developments	5,655

- 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 three borough priorities included in the new Council Plan in the following way:

- Engaged and healthy communities (£2.956m);
- Thriving and connected economy (£0.219m);
- Green and sustainable environment (£1.117m).

- 8.4 Service pressures will be kept under review throughout the budget consultation period. There is always the risk, in particular in Social Care services, that the numbers of people requiring care packages, the content of existing care packages and contract inflation will vary considerably from the assumptions included in these draft budget proposals. Any revisions to service pressures will be reported to the Executive in February.

- 8.5 In addition to these revenue proposals the Council continues to invest in its priorities through targeted capital expenditure. Details are contained in the capital programme report, but any revenue cost implications arising from the capital proposals are included in these draft budget proposals.

Service Economies

- 8.6 Members and officers have held regular meetings to determine options for savings and a list of potential draft budget savings has been developed. This list totals -£5.490m 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	-1,224
Delivery	-874
People (excluding schools)	-2,601
Non-Departmental / Council Wide	-791
Total Savings	-5,490

Significant Budget Decisions

- 8.7 Consideration and approval of the budget is a major policy decision. However, the budget, by its nature, includes a range of proposals, some of which in themselves represent important policy decisions. More details on each of the proposals are included in Annexe C.
- 8.8 As the budget report is a policy document and is subject to at least six weeks consultation, the identification of these issues within the budget report facilitates detailed consultation on a range of significant policy decisions.

Council Wide Issues

- 8.9 Apart from the specific budget proposals contained in Annexes B and C there are some Council wide issues affecting all directorates' budgets which need to be considered. The precise impact of these corporate budgets is likely to change before the final budget proposals are recommended, however the current view on these issues is outlined in the following paragraphs.

a) Capital Programme

As outlined above, the scale of the Council's Capital Programme for 2024/25 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 £8.328m and externally funded (including self-funding schemes) programme of £4.554m for 2024/25 features in a separate report on tonight's agenda. After allowing for projected receipts of approximately £5.2m (including CIL), S106 and other contributions, and carry forwards, the additional revenue costs will be £0.163m in 2024/25 and £0.295m in 2025/26.

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". Annexe F outlines the Council's prudential indicators for 2024/25 – 2026/27 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 first half of 2023/24 saw interest rates rise by a further 1%, taking the Bank Rate from 4.25% to 5.25% and possibly the peak in the tightening cycle. Short- and medium-term gilts remain elevated as inflation continually surprised on the upside. Whilst CPI Inflation has fallen from 8.7% in April to 4.7% in October, its lowest rate since February 2022, it is still significantly above the Bank of England's target of 2%. Further, a cooling in labour market conditions has not led to any easing of wage growth, which is still rising at over 7%.

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The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year and with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

As the growing drag from higher interest rates intensifies over the next six months, the economy may continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government assistance have all supported household incomes over the past year. With CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. Even though the worst of the falls in real household disposable incomes may be over, the phasing out of financial support packages provided by the government during the energy crisis mean real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. The Bank of England is expected to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is therefore clear that some members of the MPC are still concerned about the stickiness of inflation. In terms of the current market view, pricing suggests that rates will be on hold for some months to come, with easing in the latter half of the financial year.

The Council has long-term borrowings; however, its level of internal resources has enabled the Council to avoid any new long-term external borrowing since 2018. The historically high interest rates will 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. However, this must be off-set against the much higher cost of borrowing that the Council will increasingly face. The option of using internal working-capital and reserves has diminished and there is the requirement to re-finance part of its PWLB debt in November 2024.

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.

Although inflation has reduced in the current year it remains well above the 2% target for the Consumer Prices Index (CPI). It is therefore inevitable that the allowance for inflation will need to be significantly higher than the typical provision of £2m - £3m, albeit not at the elevated level of nearly £10m required in 2023/24.

This year the national employers' body offered a flat rate pay rise of £1,925 or 3.88% for employees on scale points 43 and above and this has been accepted.

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For Bracknell Forest the cost is £0.531m more than the 4% built into the budget. This will need to be reflected in the 2024/25 inflation provision, in addition to an allowance for next year's pay offer. At this stage a 3.5% pay award has been assumed for 2024/25 resulting in a total provision for pay of £3.14m.

For non-pay costs it is proposed that a number of budgets will not be inflated at all for 2024/25 and directorates have been asked to restrict contract inflation to 4.7% (September CPI less 2%). This is unlikely to cover the full price rise implicit in all contracts and consequently discussions may need to focus on service levels as well as pricing. It is recognised that it may not be possible to negotiate smaller increases or flex service levels in all cases and a further 1% has been set aside for priority areas. A case will need to be made for any increases above the 4.7%. The overall non-pay provision (excluding gas and electricity) has been set at £4.94m.

Energy prices have begun to reduce in comparison to the all-time highs experienced in 2023/24. The Council has arrangements in place to forward purchase these commodities and over half of the predicted energy required in 2024/25 has been secured to date. This allows the impact of energy inflation to be estimated with some accuracy. The expectation is that electricity and gas prices will reduce by 25% next year and this combined with actual costs being less than budgeted in the current year has meant that a reduction of £1.16m can be built into the inflation provision. This figure will be refined as further forward purchases are made.

Assuming a 5% increase in fees and charges would reduce the overall inflation provision required by £2.14m (see section d below).

For planning purposes, a total sum of £5.280m (£9.761m in 2023/24) has been added to the draft budget proposals based on the assumptions above.

The Council will need to consider in detail 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 2024.

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 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. At this stage the Contingency has been increased by £0.250m to £3.0m, and the change has been included in Non-Departmental / Council Wide pressures in table 2. The level of Contingency will be kept under review as further information becomes available.

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 Business Change 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. Of particular significance is the Council's participation in the Department for Education's Safety Valve programme, referred to later in this report in paragraphs 8.17 to 8.20 and in a separate report on this Executive agenda.

Spending on Schools

- 8.10 Schools and education services in general are funded through the Dedicated Schools Grant (DSG). This is a specific grant allocated to local authorities through a national formula by the Department for Education (DfE). Separate calculations are made for school budgets, pupils with special educational needs and disabilities (SEND) from age 0-24 which is generally referred to as the High Need Block (HNB), 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.
- 8.11 Other than for Early Years functions, provisional funding allocations have been published for 2024/25 and as usual, proposals will be developed with the Schools Forum to agree relevant budgets. Of the main published grant allocations, delegated school budgets are expected to increase by 1.7%, which has reduced from the initial announcement of 2.6% following a recalculation by the DfE, with a 3% increase in funds for pupils with SEND.
- 8.12 Taking account of this information, -£139.272m of grant income is estimated to be available to the Council for 2024/25 through the specific ring-fenced Dedicated Schools Grant (DSG). This comprises -£96.231m for the Schools Block, -£16.589m for the Early Years Block, -£25.604m for the High Needs Block and -£0.848m for the Central Schools Services Block.
- 8.13 In addition to the DSG, schools also receive revenue funding from other specific grants, which for maintained schools includes School Sixth Forms (2024/25 estimate - £1.269m), the Pupil Premium (-£1.876m), Primary PE and Sports Premium (-0.345m), the Universal Infant Free School Meals Grant (-£0.630m) and Teachers' Pay Addition Grant (-£0.673m). All these amounts are subject to change in 2024/25.

Spending on schools and Early Years Provisions – decision making

- 8.14 Setting the overall level of the Schools Budget and the operation of the funding formula that distributes the money to schools and Early Years providers 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.

- 8.15 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 22 January 2024. To meet this requirement, 2024/25 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.
- 8.16 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 2023. To meet the DfE's timescale of approval by 22 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.

Spending on the High Needs Block and the Safety Valve Programme

- 8.17 It is widely known that for many councils, the cost of supporting pupils with SEND is significantly above the amount of DSG funding allocated by the DfE. For Bracknell Forest, an £8.928m overspend on HNB is currently forecast for 2023/24. Recognising the scale of this issue across the country, the Government introduced regulations to ensure that any accrued deficit is not a liability on councils but remains a DfE responsibility, initially until 31 March 2023, recently extended to 2026.
- 8.18 Alongside this, the DfE has also introduced a more rigorous monitoring and intervention regime where council areas are accruing large deficit balances or experiencing a significant reduction in a surplus. It has previously been reported to the Executive that Bracknell Forest was invited to join this regime – called the Safety Valve programme - in July 2023 and through this is expected to agree plans to bring spending back in line with grant levels over the coming years. Should this be achieved to the DfE's satisfaction, the Government will make a contribution to help write off the deficit that has accumulated up to the point of that equilibrium being reached.
- 8.19 The timescale for Safety Valve proposals to be submitted and considered are determined by the DfE and are extremely challenging. The Council needs to submit its initial proposals by 15 December, and a final submission by 12 January. Details are set out in a specific report dealing with Safety Valve, which indicates that work on the initial proposal with informal feedback from the Council's DfE appointed Safety Valve advisors is continuing and is unlikely to be completed much in advance of the 15 December deadline. For the purposes of this report, it has been assumed that any immediate implication of Safety Valve on the Council's 2024/25 general fund budget will be neutral.
- 8.20 The Safety Valve process is initially focused on options to reduce spending on SEND services, predominantly by investing in more local provision to enable a significant reduction in the current reliance on expensive out-of-borough schools, with limited immediate impact on the Council generally. However, the need to identify funding to write off the Council's share of the accumulated deficit, that is expected to be around £30m by the end of the current financial year and will continue to grow for some time

Unrestricted

in the years ahead, presents an enormous financial challenge for the Council. While its balance sheet is currently healthy, with a higher level of usable general and earmarked reserves than many local authorities, the total of these may not be sufficient. Moreover, if the Council's reserves were to be reduced to a bare minimum level, there would be no protection against spending pressures and rising demand that all local authorities typically face. The Council has therefore requested that consideration be given to allowing it to access financial flexibilities that have been offered to local authorities experiencing extreme financial difficulties, to help ensure it can avoid reaching this position.

Reserves

- 8.21 The Council has an estimated £11.08m available in General Reserves as at 31 March 2024, if spending in the current year matches the approved budget. Details are contained in Table 6.

Table 6: General Reserves as at 31 March 2024

	£m
General Fund	11.08
Planned use in 2023/24	0.00
Estimated Balance as at 31 March 2024	11.08

- 8.22 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.
- 8.23 The Council used a one-off contribution of £3.590m from the Future Funding Reserve to balance the budget in 2023/24. This reserve was deliberately established to help manage the Medium Term financial position and is expected to have a balance of £16.3m available at the 31 March 2024.

9 SUMMARY

- 9.1 Adding the draft proposals to the Commitment Budget and taking account of the corporate issues identified above would result in total expenditure of £103.429m as shown in Table 5.

Unrestricted

Table 5: Summary of proposals:

	£'000
Commitment Budget	90,202
Reversal of the one-off transfer from the Business Rates Reliefs Reserve used to fund the estimated Collection Fund - Business Rates deficit for 2022/23.	4,480
Reversal of one-off transfer from the Future Funding Reserve used to balance the budget in 2023/24.	3,590
Reduction in Business Rates income	500
Reduction in New Homes Bonus	300
Increase in Social Care Grants	-1,251
Budget Pressures (including increase in Contingency)	5,655
Budget Economies	-5,490
Capital Programme	163
Inflation Provision	5,280
Draft Budget Requirement 2024/25	103,429

9.2 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 -£96.499m. This arises from Revenue Support Grant (-£2.191m), Business Rates baseline funding (-£17.811m) and Council Tax at 2023/24 levels (-£76.497m).

9.3 With the potential overall cost of the budget package being consulted on in the region of £103.429m, this leaves a potential gap of around £6.930m. 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;
- identification of further savings proposals.

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 reserves 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 6 February 2024. This will allow the Executive to

determine the final budget package and recommend the appropriate Council Tax level to the Council on 21 February 2024.

11 BUDGET MONITORING 2023/24- 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 2023/24 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 WRITE-OFF REQUEST

- 12.1 A prior commercial property tenant accumulated a significant level of rental arrears over a number of years. All opportunities for recovery have now been exhausted and the only option is to now write off this debt, totalling £54,149.60. This situation had been envisaged and the Council is able to draw down on a revenue reserve to cover the total value of this write off in the current financial year. All write-offs exceeding £50,000 require Executive Approval, which is now sought.

13 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Legal Comments

- 13.1 The Council is legally obliged to calculate the Council Tax Base for 2024/2025 by 31 January 2024. 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

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

Equalities Impact Assessment

- 13.3 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

- 13.4 A contingency of £3.000m 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.
- 13.5 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

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

14 CONSULTATION

Principal Groups Consulted

- 14.1 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> and it is intended that consultation events will be organised in local community settings during January. There will also be a dedicated mailbox to collect comments.
- 14.2 The timetable for the approval of the 2024/25 Budget is as follows.

Executive agrees proposals as basis for consultation	12 December 2023
Consultation period	13 December 2023 - 23 January 2024
Executive considers representations made and recommends budget.	06 February 2024
Council considers Executive budget proposals	21 February 2024

Background Papers

None

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