

TO: THE EXECUTIVE
DATE: 16 JULY 2024

REVENUE EXPENDITURE OUTTURN 2023/24
Executive Director: Resources

1 PURPOSE OF REPORT

- 1.1 The Council, at its meeting on 22 February 2023, approved a revenue budget for 2023/24 of £89.287m. This report informs Members of the outturn expenditure position, subject to audit, for the financial year 2023/24 highlighting that the Council overspent by £1.225m which was met by a withdrawal from General Reserves.
- 1.2 The Council continues to face ongoing financial pressures and uncertainty due to delays in the introduction of a new funding system by Central Government, increases in demand led pressures and the continuing impact of high inflation.
- 1.3 The accounts and accounts regulations require the draft accounts to be published by the 31 May and the audited accounts by 30 September of the following year. The draft accounts were signed and published on 29 May 2024. This is a very challenging deadline for many local authorities, with only 40% of Unitaries managing to publish accounts by the end of May deadline.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Note the outturn expenditure for 2023/24, subject to audit, of £90.512m, which represents an overspend of £1.225m compared with the approved budget.**
- 2.2 **Recommends that Council note the Treasury Management performance in 2023/24 as set out in Annexe B.**
- 2.3 **Approve the earmarked reserves as set out in Annexe C.**
- 2.4 **Approve the virements relating to the 2023/24 budget (see Annexe D).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations are intended to inform the Executive of financial performance against budget in the 2023/24 financial year.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The report sets out the Council's actual financial performance in 2023/24 and the consideration of options is not therefore appropriate.

5 SUPPORTING INFORMATION

General Fund Revenue Expenditure 2023/24

- 5.1 The Council approved a revenue budget of £89.287m for 2023/24. In addition, a number of transfers to and from earmarked reserves have been made as normal during the

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course of the year. These are shown in Table 1 below and explanations for the use of the reserves are set out in the following paragraphs.

Table 1: Transfers To/From Earmarked Reserves

Directorate	Carry Forwards from 2022/23	Bus Contract (S106)	Other S106	Structural Changes	All Other Earmarked Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Central	0	88	565	44	4,047	4,744
Delivery	36	0	0	251	1,295	1,582
People	0	0	0	0	3,679	3,679
Non departmental / Councill Wide	0	0	-2,353	0	149	-2,204
Transfer to/from Earmarked Reserves	-36	-88	1,788	-295	-9,170	-7,801
Total	0	0	0	0	0	0

Carry Forwards from 2022/23

In accordance with the Council's constitution, budget under spends can be carried forward to the following year in exceptional circumstances.

Bus Contract from S106

The bus contract was negotiated during the course of the year with the funding to be provided from S106 resources.

Other S106

Revenue funding for staff and a vehicle involved in the production, co-ordination and monitoring of the Suitable Alternative Natural Green Spaces (SANGS) plans and the maintenance and management of SANGS areas have also been provided from S106 resources, as have transformation savings relating to Special Protection Areas. The non-departmental credit relates to the transfer of unapplied S106 for revenue purposes received in year to reserves.

Structural Changes

One-off costs associated with service restructuring proposals were met from the Structural Changes Reserve during the year.

Other Earmarked Reserves

Several other budget adjustments were made during the year to reflect transfers to or from reserves, the most significant being net transfers from the Transformation (£2.567m), Revenue Grants Unapplied (£0.718m), Public Health (£0.842m), Schools (£1.005m), Inflation (£1.500m) and the Better Care Fund (£1.086m) Reserves. Use of these reserves was in line with their agreed purpose.

Outturn Position

- 5.2 Due to the unprecedented level of financial significant challenges faced during the year, the Council overspent in 2023/24 for the first time since being established as a Unitary Authority in 1998. The end of year position (subject to external audit) is an overspend of £1.225m. Although an overspend is never welcome, this is a significant improvement from the predicted overspend of over £4m that was reported last Summer. Since then, a wide range of measures have deliberately been introduced across all service areas

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under the direction of the Corporate Management Team, to save money wherever possible and mitigate the pressures that existed at that point and others that have arisen since. Bracknell Forest's situation has been mirrored in its neighbouring authorities in Berkshire, all of whom are reporting overspends against approved 2023/24 budgets, some on a much larger scale. This reflects the difficulties faced across the sector over the past year, that has led to large numbers of authorities having to request exceptional financial support from Government.

- 5.3 Table 2 analyses by directorate the outturn compared with the original budget. These figures inevitably remain subject to change until the audit of the accounts is concluded, however, no significant impact on the overall position is anticipated.

Table 2 –Outturn Expenditure

Directorate	Original Approved Budget	Carry Forwards & Virements	Current Approved Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Central	22,247	2,510	24,757	25,444	687
Delivery	18,729	-4,051	14,678	14,394	-284
People	96,375	-6,243	90,132	91,324	1,192
Non Departmental / Council Wide	-39,582	15,585	-23,997	-24,367	-370
Transfers to/from Earmarked Reserves	-8,482	-7,801	-16,283	-15,028	1,255
Business Rates Tariff				-1,255	-1,255
Total	89,287	0	89,287	90,512	1,225

- 5.4 The current approved budget takes into account virements actioned during the course of the year. The most significant being:

- Those related to reserve transfers set out in paragraph 5.1 and Table 1
- Transfer of Fleet Management from Delivery to People (£3.3m)
- Adjustments relating to the accounting for the waste PFI (-£0.8m) and The Avenue Car Park finance lease (-£1.4m)
- Reallocation of budgets to departments for Non-Cash items to reflect actual costs, namely:
 - changes to capital charges (£3.5m) and
 - pension adjustments (-£16.5m).

These reallocations have no overall effect on the amount raised from taxpayers as they are reversed out within the Non-Departmental / Council Wide Budgets line.

5.5 Explanations for significant variances by service are set out in Annexe A. The most significant variances are highlighted below, with many of the underspends being deliberately achieved to mitigate pressures being faced:

Central

- A net under-recovery of income in Planning, in particular Development Management (£0.728m), and in Building Control (£0.219m). The allowance for potential under-recovery of some historic debts was also increased at the year-end in the Planning service (£0.138m).
- An overspend on reactive maintenance (£0.243m), particularly on Drainage, Gully Cleaning and Patching.
- Income overall was above budget within the Traffic service (-£0.069m).
- There was a significant underspend within Transport Strategy (-£0.350m), primarily relating to Public Transport Subsidy (-£0.119m), Concessionary Fares (-£0.114m) and Transportation Planning (-£0.050m).
- Within Parks and Countryside an under-recovery of income from Suitable Alternative Natural Green Space developments (£0.051m) and overspends from additional tree works (£0.026m) and running the Look Out (£0.021m).
- In response to Directorate and overall budget pressures, in year savings were identified on Council-wide learning and development activities by limiting non-essential training (-£0.139m).
- An underspend on the Devolved Staffing Budget relating to vacancies held to mitigate the overall financial position and the identification of external sources of funding (-£0.145m).

Delivery

- An underspend within ICT relating to ongoing savings (-£0.150m).
- Within Industrial & Commercial Properties, additional income and Business Rates refunds resulted in an underspend (-£0.162m).
- Underspends within Democratic and Registration Services (-£0.113m) relating to income and supplies and services budgets.
- Within Waste Management an overspend on waste disposal (£0.470m) partly offset by an underspend on Household Waste Collection/Recycling (-£0.163m) relating to additional income.
- An underspend within Leisure relating to income from car parking and the gift shop at Coral Reef (-£0.050m), repayments of Covid-19 monies (-£0.059m) and underspends within several other support areas (-£0.025m).
- The Leisure contract contains a utilities indemnity clause which is triggered should prices increase significantly. As utilities costs have increased significantly over the last two years, an additional charge of £0.592m has been raised by the contractor in line with the contract terms which has been funded by an allocation from the Inflation Reserve.
- The Public Protection Partnership within Regulatory Services overspent due to decreasing income and an increase in costs (£0.098m).
- The Devolved Staffing budget was underspent across the Directorate, due to vacancies being held throughout the year to mitigate the overall financial position (-£0.107m).

People

- Additional Management Team costs relating to changes in the Assistant Director Education and Learning and interim support for that post, in particular for special educational needs and disabilities (SEND) (£0.100m).

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- An overspend within Education and Learning (£0.538m). Overspends occurred on staffing, in particular the SEND team (£0.698m), and Education Transport (£0.238m), partly offset by additional income (-£0.098m), delays in arranging new service delivery contracts (-£0.107m), grant to support loss of income (-£0.098m) and reduced spend on former teachers' pensions (-£0.050m).
- A net underspend on Children's Social Care (-£0.137m). Care and accommodation costs for Children Looked After remained within budget, achieved partly through improved support packages before a placement is made (£0.227m). Other significant variances occurred on Childcare Solicitors (£0.177m), Unaccompanied Asylum Seekers (-£0.240m) and the Devolved Staffing Budget (-£0.244m).
- An overspend on care packages within Adult Social Care, primarily due to an increase in the number and cost of clients for nursing, residential, supported living and homecare (£0.598m). This was partly offset by staff vacancies (-£0.074m) and additional income from Health (-£0.080m).
- Within Mental Health and Out of Hours an overspend on staffing costs (£0.135m) and an under recovery of income in Forestcare (£0.069m) was partly offset by in year funding for Enhance Community Mental Health (-£0.152m).
- Staffing costs were the most significant overspend in Commissioning plus cost pressures in Complaints and Advocacy (£0.134m).
- The main elements of the overspend on Early Help and Communities (£0.367m) were emergency accommodation costs due to delays in accessing properties (£0.516m) partly offset by additional Homelessness Prevention grant (-£0.204m). Overspends on Repairs and Maintenance within Housing Management & Property (£0.320m) partly offset by additional income (-£0.154m), staffing pressures (£0.140m) and an underspend on Early Help.

Non-Departmental / Council Wide

- An under spend on interest budgets (-£0.359m) due to average cash balances being substantially higher than expected, reducing the need to borrow in 2023/24. This has resulted from a combination of slippage on the capital programme, positive cashflows from grants being received and the increase in interest rates generating a higher return on investments.
- Significant capital carry forwards into 2023/24 have created an under spend against the Minimum Revenue Provision which is based on capital spend in previous years (-£0.251m).
- Budgeted savings were not achieved on essential user car allowances (£0.020m) and the closure of Downshire Homes Ltd (£0.240m), which happened later than expected in February 2024. In addition, the budget for employers' pension contributions relating to prior year deficits was insufficient to cover costs due to three schools becoming academies during the year (£0.084m).
- Other under spends primarily relating to pension recharges and joint arrangements, and a reduction in the allowance for bad debts and write offs (-£0.104m).

Business Rates Tariff

- A one-off reduction in the Business Rates Tariff payable to the government was calculated following the updating of information used for the Business Rates revaluation exercise in 2023/24 (-£1.255m).

Earmarked Reserves

- Transfer of the Business Rates Tariff adjustment to the Business Rates Revaluations Reserve (£1.255m), as reported when the 2024/25 budget was approved by Council.

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- 5.6 The 2023/24 out-turn positions for all service areas will be compared against the approved budget proposals for 2024/25 to inform preparations for balancing the 2025/26 budget.

Treasury Management

- 5.7 Annexe B contains a detailed analysis of the Council's treasury management performance during 2023/24. An annual report is required to comply with the Prudential Code for Capital Finance as performance in this area can have a significant impact on the Council's overall financial position and balances. The report will subsequently be presented to Council as required.
- 5.8 Statutory guidance on the Minimum Revenue Provision (MRP – representing a provision charged to the Council's revenue budget each year to reflect its underlying borrowing requirement) has changed in recent years to gradually remove local discretion. The Council had previously adopted a locally bespoke calculation for properties purchased through the Commercial Property Investment Strategy, however the most recent version of the guidance issued during 2023/24 removed the scope to do so. The MRP Policy Statement approved by the Executive and Council as part of the 2024/25 budget proposals therefore amended the Council's approach to reflect the new statutory guidance, causing a £0.4m pressure on the revenue budget from 1 April 2024.

Budget Carry Forwards

- 5.9 No carry forwards have been recommended by the Corporate Management team for approval due to the overspend.

Balances (General and Earmarked Reserves)

- 5.10 The actual outturn for 2023/24 was an overspend of £1.225m which was met from General Reserves. The General Reserves balance at 31st March 2024 was £9.852m, with none of the balance required to help fund the 2024/25 revenue budget. A widely recognised benchmark is that the minimum level of General Reserves should equate to 5% of the net revenue budget. For Bracknell Forest, that implies a minimum figure of £4.9m, based on the approved 2024/25 budget.
- 5.11 A detailed review of all existing earmarked reserves has been undertaken as part of the account's closedown process and as a result two new reserves have been created. The Safety Valve Reserve (£22.8m) will be used to fund the Council's share of the expected deficit on the Schools Budget. This will be drawn down over the six year period of the Safety Valve agreement between the Council and the Department for Education, with the most significant contribution to be made in the final year. The Future Funding Reserve (£14.3m of the balance available) and the Regeneration of Bracknell Town Centre Reserve (£8.2m) were the biggest contributors to its creation. The Financial Hardship Reserve (£0.7m) is a re-designation of the previously held Covid-19 Reserve, to better reflect its use in recent years.

Virement requests

- 5.12 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. A number of virements have been made since the February Executive meeting which require the approval of the Executive, These have been previously reported to the Corporate Management Team which recommends them for approval. They have been included in the Quarterly Service Reports. Details of the virements are set out in Annexe D.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

6.1 There is nothing to add to the report.

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

Equalities Impact Assessment

6.3 None.

Strategic Risk Management Issues

6.4 The Council needs to maintain reserves to aid cash flow and to protect itself from fluctuations in actual expenditure and income. The review of reserves undertaken by the Borough Treasurer ensures that the Council has adequate and appropriate earmarked reserves to manage future risks.

Climate Change Implications

6.5 None

7 CONSULTATION

Not applicable.

Background Papers

None.

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