



Report to Cabinet

Date:	6 th January 2022
Title:	Draft Revenue budget and Capital Programme
Cabinet Member(s):	Cllr Martin Tett - Leader
Contact officer:	Richard Ambrose, Service Director – Corporate Finance Matt Strevens, Head of Corporate Finance, ext. 3181
Ward(s) affected:	All
Recommendations:	Cabinet is asked to; <ul style="list-style-type: none">- approve the draft revenue budget and capital programme (Appendix 1-3).- note and consider the outcome of the Budget Consultation (Appendix 4).- agree the proposal that delegation be sought from Council to Cabinet for up to £100m of new capital schemes, funded through Prudential Borrowing, to be added to the Capital programme where robust financial business cases are made (para 8.6).- note that a supplementary report, the formal Council Tax Resolution, will accompany the final Budget to full Council.- note the current risks associated with the draft budget proposals
Reason for decision:	To approve a draft budget and capital programme that can then undergo scrutiny and challenge prior to the final budget for Buckinghamshire Council being approved by the Council on the 23 rd February 2022.

1. Executive summary

- 1.1 The revenue budget presented within this report is for the three financial years from 2022/23 to 2024/25.
- 1.2 Local Government funding remains very uncertain in the medium term due to proposed changes to the Local Government funding regime and the implementation of key Government policies in regard to Adult Social Care reform and the 'Levelling Up' agenda.
- 1.3 The Spending Review laid out the Government's funding totals and priorities for the period 2022/23 to 2024/25. However, actual allocations to individual authorities, through the Provisional Local Government Settlement, only cover 2022/23.
- 1.4 Changes to the revenue budget are largely focussed around changes in service demand and income (both service and corporate), the wider economic impacts of the ongoing Covid-19 pandemic, and the recognition of the ongoing risks relating to the pandemic and the wider Local Government funding regime.
- 1.5 There remains significant uncertainty over the future course of the Covid-19 pandemic, with the potential impacts of the current Omicron variant, and potential new variants currently unknown. Further lockdowns and national or local restrictions will impact both on the day to day operation of the Council, the duration of the pandemic and potentially the scale and pace of the recovery of local, national and global economic activity. This draft budget may be subject to significant change before the final budget is presented to Cabinet and full Council as the consequences of the Omicron variant become more apparent over the coming weeks and months.
- 1.6 The draft budget proposed is built on the proposed Council Tax base and assumes a 1.99% increase in basic Council Tax and a 2% increase for the Adult Social Care Precept (including 1% carried forward from 2021/22), giving a total increase of 3.99%.
- 1.7 The draft budget includes the one-off use of £1.36m of General Fund balances to produce a balanced budget and mitigate risks in 2023/24.
- 1.8 The Capital programme is presented over 4 years as many schemes span across multiple financial years. The Council currently has borrowing headroom of £100m. Where schemes are brought forward with a financially viable business case these schemes can be added to the Capital Programmes subject to Cabinet approval.

2. Content of report

- 2.1 This report sets out the draft 3-year revenue budget and 4-year capital programme for Buckinghamshire Council.



- 2.2 This includes updates on the latest estimated funding position, service budget pressures and the key financial risks facing the Council in the future.
- 2.3 The Council Tax Resolution report will be presented as a separate report as part of the final budget in February and will contain the final information from the other precepting authorities leading to the total Council Tax for the area, which full council is required to approve.
- 2.4 This report does not include special expenses. Discussions are ongoing to agree special expenses budgets for 2022/23, and these will also be presented alongside the final budget.

3. The ongoing impact of Covid-19 on the Council's budgets

- 3.1 The global pandemic has significantly impacted on the operations of the Council since its creation. These impacts have been felt both at an operational level, where new requirements have been placed upon the Council to respond to new government initiatives and support packages, and on the base budget assumptions for service demand, contract costs and all sources of income.
- 3.2 Given the current position, with the Omicron variant spreading rapidly throughout the country, and the potential emergence of new viral strains, there remain significant risks that Covid-19 will continue to impact our immediate and future budget plans. At present these impacts are unknown and unquantifiable, but a 'watching brief' is being maintained to ensure that our plans are amended to reflect the best information available, and that risk mitigation approaches such as contingency budgets and lobbying for additional emergency funding are adequate to ensure the financial sustainability of the Council. As further information emerges in relation to the Omicron variant budget plans may require changes before the final budget plans are presented to Cabinet and full Council.
- 3.3 In setting the budget for 2021/22 significant decreases in service income levels were included as economic activity was still suppressed, whilst expenditure pressures, especially in Care Services, were increasing at unprecedented rates. This budget reflects the latest estimates for the ongoing impacts of Covid-19 and the future recovery on income streams and normalisation of demand growth for critical front-line services which the post-Covid 'new normal' will bring.
- 3.4 At the end of quarter 1 of 2021/22 most direct Government grant support to the Council for the ongoing impacts of the pandemic had ceased. However, this situation is subject to change as the Government's response to the ongoing pandemic develops and changes, as evidenced by the announcement of additional Business Grants to support sectors adversely affected at the current time.

- 3.5 Given the ongoing pandemic this budget is still significantly impacted by Covid-19 but starts to reflect a recovery and normalisation of budgets by 2024/25.
- 3.6 The following impacts continue to be felt at present, and are reflected in the Medium term Financial Plan;
- a) Income from discretionary and statutory services remains suppressed as a result of working from home, resident confidence, and the general impacts of the economic downturn.
 - b) Rental income from property assets is reduced as economic uncertainty continues.
 - c) Demand and costs of supporting the vulnerable have increased as the physical and mental impacts of the pandemic continue. This is both in the quantum needing support and the level of support required.
 - d) The need to support the local economy to support jobs and growth.
- 3.7 The continuation and projected recovery of these pressures has been central to the development of the draft budget. Whilst some of these impacts will be shorter-term and will dissipate as the pandemic subsides, others are likely to have a longer-term impact, and persist as the 'new normal' of a post-pandemic world emerges. The assumptions behind these impacts are kept under constant review as the pandemic develops, and when presented to Cabinet the final budget papers will reflect the latest estimates available.

4. Spending Round 2021 and the Provisional Local Government Finance Settlement

- 4.1 The Government's Spending Round 2021 included some significant spending announcements of interest to Local Government. Key to these were;
- The capping of the Adult Social Care Precept at 1% for the next 3 years (1% generates c£3.6m p.a. whilst Adult Social Care growth and cost pressures currently total c£10.0m p.a.);
 - The basic Council Tax referendum threshold to remain at 2%;
 - An Adult Social Care Grant (funded from the 1.25% increase in National Insurance contribution from both employers and employees) was proposed. This is worth an additional £0.2bn in 2022/23, £1.4bn in 2023/24 and £2.0bn in 2024/25 to Local Government and is to fund the implementation of Care reforms and the move towards a fairer and more sustainable cost of care. It is assumed that this will fully cover new and additional costs;
 - An additional £4.8bn over 3 years (£1.6bn p.a.) of funding will be provided to Local Authorities to cover the costs of pay, inflation, supporting families, Cyber Security and other expenditure pressures such as social care costs;

- 4.2 Estimates of the impact of these announcements on the Council's funding and future expenditure have been included in the draft Revenue Budget.
- 4.3 Further clarity on the local impact of these announcements was received as part of the Provisional Local Government Finance Settlement. However, this only provided 2022/23 allocations to individual authorities.
- 4.4 The proposed changes to Local Authority funding regime may significantly impact the distribution basis from 2023/24 onwards, and the ongoing impact of Care Reform is still unknown. As such, funding for 2023/24 onwards remains a high-level estimate and contains significant risk.
- 4.5 On 16th December the Secretary of State published the Provisional Local Government Settlement. Key items of note from this announcement are as follows;
- a) The settlement was for one-year only. This is due to the impending changes to the Local Government funding regime, which are expected to be implemented in 2023/24.
 - b) The referendum threshold for basic Council Tax (excluding ASC Precept) was confirmed at 2%
 - c) The ASC Precept was confirmed at a maximum of 1%, and the applicability of the additional 1% carried forward from 2021/22 was also confirmed.
 - d) Nationally more than £1bn extra funding for Social Care was announced. This included confirmation that 2021/22 Social Care grants continued and funding to prepare for the implementation of Social Care reforms.
 - e) A new 'Services Grant', which included compensation for the additional costs incurred as a result of the additional 1.25% levy on employers National Insurance costs.
 - f) The Lower Tier Services grant was continued for another year.
- 4.6 Overall, the Council's allocations resulted in a reduction of £1.01m in ongoing grant funding compared to planning assumptions, which was partly offset by a one-off gain of £993k on New Homes Bonus in 2022/23 only. The current New Homes Bonus scheme is due to end in 2023/24. It is our practice to only use one-off funding sources for one-off expenditure items, such as capital projects and revenue investments, as they are not a sustainable funding stream, and do not support financial sustainability.

5. Developing the budget proposals

- 5.1 Following the elections in May a new Cabinet structure was agreed, and the Cabinet structure forms the basis for this budget (for 2021/22 the budget was set on the

management structure). All budgets have been mapped against this new structure and paper are presented on this basis.

- 5.2 The ongoing recovery from the Covid-19 pandemic has been the major focus of the operation of the council during 2021/22. It has significantly impacted both the day to day operations and the financial plans of the council.
- 5.3 The importance of robust financial planning over the medium-term is recognised in supporting and evidencing the financial sustainability of the council at a time when a number of other Local Authorities are finding themselves under significant financial stress, as evidenced by the number of Section 114 notices issued and requests for Capitalisation directives to allow capital resources to be deployed to fund ongoing revenue expenditure.
- 5.4 On this basis whilst there is significant uncertainty beyond 2022/23 it was felt that planning for at least the period of the Spending Review announcements provided the best balance of certainty and strategic planning to ensure ongoing financial viability.
- 5.5 The starting point for the Revenue Budget was the draft plans for 2022/23 which had been developed last year prior to the decision to set only a 1-year budget.
- 5.6 These plans were reviewed to ensure they still remained valid, and amendments were made to reflect the latest intelligence on deliverability and robustness.
- 5.7 Each Portfolio Holder has been supported by officers to produce a set of draft revenue budgets and capital programme proposals which support the delivery of the Corporate Plan and which address the pressures and recognise the risks of the Council's recovery from the pandemic.
- 5.8 A 'Check and Challenge' process was undertaken in November where each Cabinet Member had their proposals reviewed by the Leader, Deputy Leaders, Chief Executive and S151 Officer.
- 5.9 A review of the Capital programme was also conducted to ensure that existing schemes continue to be appropriate, with new bids being appropriately evaluated. The proposals contained within this report have been made by members and officers according to their relative priority.
- 5.10 The robustness of existing and new budget proposals will continue to be monitored as part of normal financial management protocols and considering further developments in the pandemic recovery plans. Any amendments required will be reflected in the final budget, to ensure that the budget remains robust and appropriate.

6. The Draft Revenue Budget

- 6.1 This budget covers 3 years and provides a 'best estimate' which reflects the uncertainties in Local Government funding and in what the new post-pandemic 'normal' will look like for service demand and income.
- 6.2 Key themes of the pandemic recovery within this budget are;
- a) A slow recovery in Council Tax and Business Rates receipts as the economy recovers from the significant shocks experienced in 2020 and 2021;
 - b) A slow recovery in service income (Rental income, parking charges, planning income, etc.);
 - c) Continued increased service costs to meet demand arising from the impacts of the pandemic;
 - d) Appropriate contingencies to manage high risk budget levels.
- 6.3 Overall, the draft budget includes growth pressures of **£25.7m** in 2022/23 increasing to **£56.2m** by 2024/25, with offsetting savings / efficiencies and income increases of **£17.5m** in 2022/23 rising to **£42.2m** by 2024/25.
- 6.4 The overall revenue budget, with each portfolio's element expanded, can be found in **Appendix 1**.
- 6.5 The key proposals contained within the draft revenue budget are:
- An increase in of 1.17% in the Council Tax base as a result of a return towards pre-pandemic levels of house completions, and a small decrease in Council Tax Reductions awarded. With increases to basic Council Tax (1.99%) and the Adult Social Care Precept (2%) this represents an increase of **£18.6m** in Council Tax receipts in 2022/23;
 - The stabilisation of Business Rates receipts as a result of a recovering economic activity;
 - Increases in corporate contingencies to mitigate the increased risk (especially for Social Care costs and market sustainability) arising from the pandemic and future changes to Local Government funding;
 - Additional investment in both Adults (**£31.6m** by 2024/25) and Children's Social Care (**£4.4m** by 2024/25) budgets to address the continued increases in demand, inflation and the complexity of the cases managed;
 - An increase in expected income levels from parking of **£3.2m** by 2024/25 (following a reduction of £5.2m in 2021/22);
 - An increase in expected income levels from Leisure services of **£2.3m** by 2024/25, including the impact of the Chiltern Lifestyle Centre opening (Leisure income reduced by £1.9m in 2021/22);
 - An increase in property income of **£5.3m** by 2024/25, including new opportunities arising (Property income budgets reduced by £2.0m in 2021/22);

- The addition of **£10.0m** in Home to School Transport budgets to reflect increased complexity in Special Need provision, increased demand and lost income;
- The delivery of a further **£14.1m** savings from the creation of the Unitary Council.
- **£6.9m** of service transformation savings in Adult Social Care;
- Additional income from the introduction of Green Waste charging in the Wycombe area (to bring this in line with the rest of the County) will generate **£1.1m** of extra income, which will be partly offset by the additional HRC facilities within the Princes Risborough area;
- Invest to Save initiatives are being extended within Children's Social Care to support the recruitment and retention of permanent Social work staff;
- Reduction of funding for Community Boards **to £2m p.a.**
- Savings of **£3.8m** are being delivered by 2024/25 through retendering and other delivery initiatives within Home to School Transport services.

6.6 Details of proposed budget changes can be found in **Appendix 3**.

6.7 It is proposed to **increase basic Council Tax by 1.99%**.

6.8 In addition, it is proposed that an **Adult Social Care Precept of 2%** be levied in 2022/23, including 1% carried forward from 2021/22. It is proposed that the 1% maximum Adult Social Care Precept is levied in 2023/24 and 2024/25. In line with Government requirements this additional **£7.3m of funding** is all allocated to offset the **£10.0m growth pressures** in Adult Social Care budgets.

6.9 Within the draft budget are contingency budgets, which are held both to mitigate future budget risks, and to fund future pay increases and increases in pension contributions following the triennial pension revaluation.

6.10 The forecast **General Fund balance as at the end of 2022/23 for the council after the recommendations in the draft budget is expected to be £47m**. This balance represents circa **10% of the net operating budget** which helps mitigate financial risks. This will be reduced in 2023/24 due to the one-off use of £1.36m to balance the budget proposals for that year. This position will be revisited in the next budget setting process.

6.11 Whilst this budget provides the best available estimates for the period 2022/23 to 2024/25 as previously reported there is significant risk around future income, cost and funding projections. The external environment is continuously monitored, and significant and material changes will be reported and included within the final budget presented to full Council on 23rd February.

7. The Climate Change Strategy

7.1 Following agreement of the Climate Change Strategy at Cabinet on 19th October the financial implications have been added to both the Capital Programme and the revenue MTFP.

7.2 Across Revenue and Capital plans **£7.1m** of expenditure (£2.1m of which is funded by grants / match funding) is planned on;

- *Building energy savings*
- *Solar car ports*
- *Electrification of our existing fleet of vehicles*
- *Tree planting to absorb carbon*

7.3 Beyond these specific elements of the strategy there are also local portfolio activities within Business as Usual functions, including our supply chain, which will help to reduce the Council's impact on the environment.

8. The Draft Capital Programme

8.1 The Capital programme covers the period 2022/23 to 2025/26, in the recognition that capital projects are often multi-year projects and the uncertainty arising from the pandemic can be managed in other ways.

8.2 A Capital programme review was conducted which covered the existing Capital programme, new capital bids and the prioritisation of those bids for inclusion in the programme to get to a recommended capital programme. The Corporate Capital Investment Board was consulted during this process to provide a steer on the approach to prioritisation.

8.3 A review of the current programme was undertaken to understand what opportunities existed for reducing, reprofiling or removing projects where they were uncommitted, and to quantify the capital resources available.

8.4 Following this review the affordable housing action plan has been updated to reflect a programme of works that can be funded from s106 agreements.

8.5 The Capital programme and the priorities within it will be reviewed and revisited as part of the MTFP process for 2023/24 onwards.

8.6 Once again it is proposed that **a recommendation is made to Council in February for delegation to be given to Cabinet to add up to £100m worth of schemes to the capital programme, to be funded through prudential borrowing, subject to a robust business case being approved.** This will enable additional priorities, such as regeneration and housing projects, to come forward and be added to the capital programme once positive business cases are fully developed. The prudential borrowing facility may also be used to provide capital loans to our property company Consilio, our joint venture property company Aylesbury Vale Estates and the Enterprise Zone should there be a financially viable and robust business case.

8.7 The overall Capital programme and each Portfolio's element of the Programme can be seen in **Appendix 2**.

8.8 Key highlights within the draft programme are:

- **£37.9m** to support Economic Growth & Regeneration;
- **£136.4m** on schools, and school improvement projects;
- **£117.9m** on Strategic Highways maintenance including;
 - i. **£61.6m** on major highway resurfacing schemes;
 - ii. **£17.7m** on Plane & Patch (smaller planned and reactive repairs);
 - iii. **£8.5m** on Footway repairs;
 - iv. **£8.4m** on Street Lighting repairs, replacement and maintenance;
 - v. **£8.0m** to reduce flooding on our roads.
- **£120.5m** on Strategic Infrastructure, including HIF schemes;
- **£24.0m** investment in Waste, primarily on vehicle replacement and a household recycling centre in Buckingham;
- **£21.7m** to support Housing and Homelessness including affordable housing action plans and disabled facilities grants.

8.9 All revenue consequences of the Capital programme have been included in the draft revenue Budget.

9. Financial Risks

9.1 Whilst every effort is made to ensure the budget proposals are robust, deliverable and support financial sustainability there are significant risks identified in the proposed draft budget.

9.2 The table below identifies the key risks to these budget proposals:

The Covid-19 pandemic	<p>The Covid-19 pandemic continues to impact on the day to day business of the Council. The draft budget makes assumptions as to the likely impact of the pandemic on budgets over the next 3/4 years. With new variants arising the risk of further lockdowns and supporting interventions, as well as the timing and trajectory of the recovery process is subject to change.</p> <p>The Council is central to delivering the local response to the pandemic, in supporting residents and</p>
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	<p>businesses through local and national interventions, and in supporting the recovery process to 'build back better'.</p> <p>As the period in which we are operating within a pandemic environment extends this creates additional pressures in delivering our business as usual services, delivering our savings and investment plans, and providing capacity to support additional response activities.</p> <p>In addition new and unexpected changes to the types and level of demand for services may arise as unforeseen longer-term impacts of the pandemic arise.</p>
Medium-term economic change	<p>The pandemic continues impact on the economy, with business failures likely, changes in unemployment and unprecedented levels of Government debt following the pandemic response. This is likely to impact on local and national tax receipts, and the levels of support required by those impacted by the changes. This would impact both the Council's costs in supporting those impacted and the future funding available to the Council.</p>
Long-term societal change	<p>The pandemic required immediate changes to the way we all live our lives. Whilst some of these were short-lived, others may persist as both businesses and individuals consider how they wish to live and work in the future. The medium-term impacts on local economic activity are still unclear.</p>
Inflation	<p>Global economic upheaval continues, notably impacting on global supply-chains. This is significantly contributing to inflation levels, which are currently above 5%. This will impact both in terms of pay pressures and the costs of our supply chain. Whilst forecasts are that inflation returns to more normal levels these forecasts are highly dependent on the future impact of the pandemic on the global economy.</p>
Central Government funding	<p>The Government has long promised to review the allocation of funding to Local Authorities. This is now expected to be enacted from 2023/24. Changes to this methodology could have a negative impact on the</p>

	<p>funding for the Council if our calculated level of need reduces significantly.</p> <p>The 'Levelling Up' agenda has the intention of reducing regional disparities. Without additional funding to raise the level of funding for higher need areas there is likely to be a movement of funding from 'better' funded areas to those with 'greater' need. This is likely to see funding moved from the South East to more deprived areas. A policy paper is due to be published in January, which will bring more clarity on the aims of the policy.</p>
Complexity and demand in Social Care & Client Transport	<p>Social care budgets remain subject to significant variations in terms of both demand and complexity in 'normal' circumstances. The ongoing pandemic has increased this unpredictability. This is being exacerbated by the NHS Discharge to assessment approach which is seeing clients leave hospital with higher needs than in pre-pandemic times. Whilst all reasonable efforts have been made to predict these pressures and estimates remain volatile and uncertain.</p>
Social Care Provider sustainability & Care Reforms	<p>The Care Act places a statutory duty for local authorities with responsibility for adult social care in managing the market including, where necessary, making provision for the continuity of care if social care providers close. The Care reforms and market changes resulting from the pandemic have increased the risk of this occurring.</p>

- 9.3 A robust risk management approach will be taken to monitor, manage and mitigate these risks through the delivery of these draft budget plans.
- 9.4 Whilst the revenue budget proposals within this report include increased reserves and contingencies against these increased risks, our General Fund (non-allocated) balances are also at a reasonable level. These balances are held against the risk of unforeseen events, such as the pandemic, and provide a strong buffer against unexpected events. Close management of these risks is required to ensure the sustainability of the Council.

10. Legal and financial implications

- 10.1 This report is fundamentally about the financial position of the Council and implications are covered within the body of the report.

11. Corporate implications

- 11.1 Actions resulting from consideration of this report may influence future expenditure in areas of concern / interest.

12. Local councillors & community boards consultation & views

- 12.1 A public consultation on priorities and budgets was conducted between 6 October and 14 November 2021.
- 12.2 Only 308 responses were received, with 292 of these responses being from residents.
- 12.3 A summary of the results of this can be found as **Appendix 4** to this report.

13. Next steps and review

- 13.1 In mid-January the Budget Scrutiny Committee will review and challenge the budget proposals made by each Portfolio Holder and make recommendations on potential changes to the budget.
- 13.2 Following the announcement of the Final Local Government Settlements, the implications of these announcements will be considered, and amendments may be required to the draft budget. Options will be discussed and agreed by officers and members and any changes presented as part of the final budget.
- 13.3 The final budget will be presented to Cabinet on 15th February 2022, and then the Full Council on 23rd February 2022.

14. Background papers

Appendix 1 – Revenue Budget.

Appendix 2 – Capital programme.

Appendix 3 – Detailed revenue budget changes.

Appendix 4 – Budget consultation results.

15. Your questions and views (for key decisions)

- 15.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone [01296 382343] or email [democracy@buckinghamshire.gov.uk]

