



Report to Council

Date:	23rd February 2022
Title:	Medium-term Financial Plan 2022/23 to 2024/25 and Capital Programme 2022/23 to 2025/26
Relevant councillor(s):	Cllr Martin Tett - Leader
Author and/or contact officer:	Richard Ambrose, Service Director – Corporate Finance Matt Strevens, Head of Corporate Finance, ext. 3181
Ward(s) affected:	All
Recommendations:	Council is asked to: <ul style="list-style-type: none">- approve the Revenue Budget and Capital Programme (Appendices 1-3).- approve the Council Tax Resolution (Appendix 4).- approve the ‘Special Expenses’ budgets, precepts and associated services for Aylesbury Town, High Wycombe Town and West Wycombe Church Yard (Appendix 5 & 6).- approve the proposal to delegate to Cabinet decisions to add up to £100m to the Capital programme, to be funded by Prudential Borrowing (see section 10.6).- approve the Council Tax Reduction Scheme Policy (Appendix 7).- Delegate to the Leader, in consultation with the s.151 Officer, any technical changes to the Council Tax Reduction Scheme as required from legislation concerning the £150 Council Tax Energy Rebate Scheme, together with any changes required to implement any new discretionary schemes linked to the discretionary funding allocated (see section 12).

Reason for decision: To set a robust and legal revenue budget and capital programme for Buckinghamshire Council within the prescribed timeframe.

To ensure the council is able to make appropriate additions to the capital programme in a timely manner.

1. Executive summary

- 1.1 The budget presented for approval remains heavily influenced by the Covid-19 pandemic and reflects best estimates of the likely progress from response to recovery.
- 1.2 Although there are high levels of uncertainty around government funding levels beyond 2022/23 there is evidence of stabilisation in budgets as the pandemic normalises. These budget proposals cover the 3 years from 2022/23 to 2024/25 for revenue and the 4 years from 2022/23 to 2025/26 for the capital programme. This ensures that the Council is sighted of and considers the financial sustainability of the Council as we emerge from the pandemic, notwithstanding the risks and uncertainties identified in this report.
- 1.3 The Final Local Government Settlement was announced on 7th February 2022. There were no changes and as such this confirmed the figures published in the Provisional Settlement which form part of these budget proposals.
- 1.4 The budget proposed is built on the proposed Council Tax base and includes a 1.99% increase in basic Council Tax and a 2% increase for the Adult Social Care Precept, giving a total increase of 3.99%. Members should note that the Adult Social Care Precept is capped at 1% from 2022/23; however, we have been able to apply the 1% not applied in 2021/22.
- 1.5 The revenue budget includes savings / efficiencies and income increases of £19.2m in 2022/23, rising to £43.7m by 2024/25. This is on top of £25m achieved over the first two years of being a unitary authority. Furthermore, there is a proposed one-off use of General Fund balances (£1.36m) in 2023/24 in order to produce a balanced budget in that year. This requirement will be revisited during the next MTFP cycle.
- 1.6 The Capital Programme is balanced across its 4 years, as many schemes span multiple financial years. The Council currently has borrowing headroom of £100m. It is proposed that Council delegate to Cabinet the addition of schemes to the Capital Programme which have a financially viable business, subject to due diligence and final Cabinet approval.

2. Content of this report

- 2.1 This report sets out the 3-year revenue budget for 2022/23 to 2024/25 and 4-year capital programme for Buckinghamshire Council covering the period to 2025/26.
- 2.2 This is based on the latest estimated funding position, service budget pressures and the key financial risks facing the Council both now and in the future. It also takes into account the findings from the budget scrutiny inquiry.
- 2.3 The Council Tax Resolution report is presented as Appendix 4. This agrees the Council Tax to be collected by the Council, the major preceptors (Fire & Police), Special Expenses and Parish Precepts.
- 2.4 This report includes Special Expenses. These are particular costs that are specific to an area not covered by a local town or parish council (e.g. recreational grounds, allotments, community centres markets etc.). There are three special expense areas within the Council; High Wycombe Town Committee, West Wycombe Church Yard and Aylesbury Town. The proposed budgets and resulting precepts are presented in **Appendix 5**.

3. The Corporate Plan

- 3.1 The Corporate Plan is the Council's main strategic business planning document, establishing a golden thread between the Council's priorities, as agreed by elected members, and the activities and budgets required to deliver the organisation's agreed outcomes.
- 3.2 The Corporate Plan is currently under review and the intention is to take a refresh of the Plan to Council later this year. This will set out what the Council wants to achieve and how it will do it, addressing the challenges we face and harnessing opportunities.

4. Local Government Funding

- 4.1 The Chancellor's Spending Review of 27th October covered a 3-year period. The Spending Review recognised the impact of Covid-19 on the economy, and the levels of Public Sector Debt which had been incurred in funding the Government's support and intervention responses. Due to the high levels of this debt the wider public finances are subject to significant interest rate risk, which could impact on future funding for public services.
- 4.2 The headlines for Local Government from the Spending Review were:

- a) An overall increase in funding for Local Government, including the assumption that Council Tax will be raised by the maximum allowable amount each year;
 - b) The Adults Social Care Precept to be capped at 1% going forward;
 - c) £3.6bn of additional funding raised from the 1.25% National Insurance increase to support the implementation of Care Reforms and to move to a fairer and more sustainable cost of care. This is provided to fund prescribed activities and not current demand and complexity pressures within the Care system;
 - d) £1.6bn p.a. of additional funding to be provided to support pay costs, inflation, supporting families, cyber security and all other pressures.
- 4.3 The Spending Review only provided totals for the sector and not details of allocations to individual authorities. The Final Local Government Settlement was announced on 7th February 2022. This Settlement covered only funding allocations for 2022/23, despite the Spending Review covering a 3 year period. It is understood that this is due to likely changes to Local Government funding allocations as a result of the Fair Funding Review, review of the Business Rates Retention system and the future of the New Homes Bonus. Future funding levels may also change significantly as a result of wider Government Policy initiatives such as the 'Levelling-Up' agenda.

5. Council Tax

- 5.1 The Secretary of State announced that the Council Tax Referendum threshold will be 2% for 2022/23. It is proposed to **increase core Council Tax by 1.99%**.
- 5.2 In addition, the ability to levy an Adult Social Care Precept of up to 1% was announced. The Council did not utilise the full Adult Social Care uplift in 2021/22, and the 1% not utilised can be carried forward into 2022/23. The budget proposed includes **an increase of 2% in the Adult Social Care Precept**. In line with Government requirements this additional funding is all allocated to Adult Social Care budgets.
- 5.3 As a result of the economic changes brought on by the pandemic there has been a slight suppression in the level of new homes being built and occupied, an ongoing increase in the number of claimants of Council Tax reductions, and an ongoing reduction in the collection rate for Council Tax. This has suppressed the baseline for expected Council tax income before the increases above are applied, which sees Council Tax income rise at a slightly slower than expected rate.
- 5.4 The Council Tax Resolution, which agrees the levels of Council Tax for the Council and all preceptors, is presented as **Appendix 4** for approval. This includes details of

the charges made by major preceptors (Buckinghamshire Fire & Rescue and Thames Valley Police) and all Parish and Special Expenses precepts.

- 5.5 Special Expenses precepts apply in Aylesbury Town, High Wycombe and West Wycombe Church Yard. This is an additional Council Tax charge for residents in these areas and reflects costs incurred by the Council which would normally be the responsibility of a parish or town council if one existed.
- 5.6 Proposed 'Special Expenses' budgets have been subject to a significant review, and the ongoing sustainability of funding for these activities has resulted in increases to these elements of the Council Tax precept. Budgets, precept levels, and the services included within this charge can be found in **Appendices 5 & 6**.
- 5.7 The Council Tax Reductions Scheme Policy is unchanged from last year other than to update the values used in line with Government changes to welfare benefits that are used in the calculation of CTR (for example the amount of child benefit paid). It is recommended the Council Tax Reductions Scheme Policy (**Appendix 7**) be approved.

6. Business Rates

- 6.1 Business Rates income has seen significant changes through the pandemic as the system has been used by Government as a means to support businesses through lockdowns and the associated economic impacts.
- 6.2 The budget includes a small recovery in the level of Business Rates collectable. This reflects the gradual recovery of Business Rates income from the effects the Covid-19 pandemic has had on businesses.
- 6.3 The Business Rates system includes a 'safety net', below which the Government will compensate Councils for lost income. Given the growth in Business Rates over recent years Buckinghamshire Council's Business Rate receipts continue to remain above this safety net.

7. The impact of Covid-19 on the Councils budgets

- 7.1 The global pandemic continues to impact on the operations of the Council both at an operational level, where ongoing response requirements have been placed upon the Council, and in supporting new government initiatives and support packages (such as the £150 Council Tax reduction on Council Tax bills in Band D and lower).
- 7.2 Whilst recent interventions have not extended to full lockdowns the emerging 'new normal' continues to have impacts on the financial activities of the Council. Primarily these are through the changes to working and social activity, but also through

changes in need and demand for Social Care services. Given the continuing nature of the pandemic and the emergence of new variants it is expected that many of these impacts will continue into 2022/23 and beyond.

7.3 The following ongoing impacts are included in the budget proposals included within this report:

- a) Income from discretionary and statutory services is recovering but will remain suppressed as a result of working from home, residents caution in public mixing, additional demand arising from the mental and physical health impacts of the pandemic and the general impacts of the economic downturn.
- b) Rental income and sale proceeds from property assets will be reduced as businesses respond to increased working from home and demand drops.
- c) Demand and costs of supporting the vulnerable may remain raised as the quantum of people needing support as well as the level of support required have increased.
- d) The need to invest in the local economy to support jobs and growth.

7.4 The continuation of these impacts has been central to the ongoing review of the budget. Whilst some of these impacts may be short-term and will dissipate as the pandemic subsides, others are likely to be longer-term and persist as the 'new normal' of a post-pandemic world emerges.

7.5 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 response and recovery plans.

8. Budget Scrutiny review

8.1 During the week commencing 10th January the Draft Budget was reviewed and challenged by the Finance & Resources Select Committee (Budget Scrutiny task & finish group). Their report recognised the work and hard decisions required to produce a balanced budget in the current environment and highlighted the risks inherent in the current position. None of the recommendations have resulted in changes to the proposed budget.

8.2 Within the Committee's recommendations there were a number which identified the need for clarity in strategic direction in key areas of the response to the emerging 'new normal'. These will need to be further considered as part of future Medium-Term Financial Planning cycles.

9. Revenue Budget 2022/23 to 2024/25

- 9.1 The revenue budget covers the period 2022/23 to 2024/25. Whilst the Local Government Settlement only provides certainty for the first year, and there are significant risks across many aspects of the budget beyond 2022/23 planning for a 3-year period ensures the budget considers the medium term sustainability of the Council and provides a basis for strategic decision-making to address future scenarios across the Council's budgets.
- 9.2 Given the significant uncertainties involved in setting a Medium-Term Financial Plan beyond 2022/23 prudent estimates of the rate of recovery of service budgets, the impact of the 'new normal' and the likely outcome of future funding settlements have been made for 2023/24 onwards.
- 9.3 Overall Portfolio net budgets are set to increase by £6.67m (1.6%) in 2022/23. This is after revenue savings / efficiencies and income increases of £19.2m in 2022/23, rising to £43.7m by 2024/25. This is on top of £25m achieved over the first two years of being a unitary authority.
- 9.4 This budget includes significant unavoidable growth across the 3-years on Adults Social Care (£31.7m), Children's Social Care (£4.4m) and Home to School Transport (£10.0m) as a result of the continuing increases in demand, cost and complexity in these areas.
- 9.5 There are significant increases in service income across the 3-years in Leisure (£2.3m), Property & Assets (£6.2m) and Parking (£3.2m) as income recovers from the reduced levels at the height of the pandemic, and new opportunities arise.
- 9.6 Contingency budgets, which are used to manage risk and uncertainty in the budget, are maintained in line with the risks and uncertainties identified within this report. A breakdown of these is shown within Appendix 1.
- 9.7 The forecast **General Fund balance for the Council after the recommendations in the budget is expected to be £47m at the end of 2022/23** (depending on the final outturn for 2021/22). This balance represents 6.6% of the gross operating budget (excluding the Dedicated Schools Grant). The budget proposed includes use of £1.36m of General Fund balances in 2023/24. The need for this budgeted use of General Fund reserves will be reviewed in setting the budget for 2023/24.
- 9.8 The overall revenue budget, with each Portfolios element expanded, can be found in **Appendix 1**. Details of all proposed budget changes can be found in **Appendix 3**.
- 9.9 This budget reflects prudent estimates of funding and expenditure pressures and savings proposals to ensure the ongoing sustainability and resilience of the Council.

10. The Capital Programme

- 10.1 During 2021/22 a review of the capital programme was undertaken. This followed the review undertaken in 2020/21 in order to shape the Capital programme to the new Council's priorities. The latest review undertook to review the strategic alignment of all existing projects and to reprioritise the available funding to better meet the ambitions of the Council.
- 10.2 The resulting capital programme sees £524m invested over the 4 years to 2025/26, with £165m of investment in 2022/23.
- 10.3 Key areas of investment within the programme are;
- a) £38.5m to support Economic Growth & Regeneration;
 - b) £136.4m on schools, and school improvement projects;
 - c) £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 on Drainage to help reduce flooding on our roads.
 - d) £129.4m on Strategic Transport & Infrastructure;
 - e) £24.8m investment in Waste, primarily on vehicle replacement and a household recycling centre in Buckingham;
 - f) £21.8m to support Housing and Homelessness including affordable housing action plans and disabled facilities grants.
- 10.4 The overall Capital programme and each Directorates element of the Programme can be seen in **Appendix 2**.
- 10.5 The Council's authorised borrowing limit currently allows for £100m of additional prudential borrowing should the need arise.
- 10.6 In order to allow schemes which have a robust and financially viable business case to be added to the Capital Programme it is proposed that **authority be delegated 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.**

11. Council Tax Reduction Scheme Policy

- 11.1 The Council Tax Reduction Scheme Policy require approval on an annual basis.
- 11.2 The policy was harmonised in 2020/21 upon the creation of the Council, and there are no material changes to the policy for this year beyond updating with the latest information from Central Government.
- 11.3 The updated policy is available as **Appendix 7**.
- 11.4 **It is recommended that the Council Tax Reduction Scheme Policy be approved.**

12. Council Tax Energy Rebate Scheme

- 12.1 On 3 February 2022 the Government announced a £150 council tax energy rebate. The Government will provide funding to billing authorities to give all households in England whose primary residence is valued in council tax bands A – D a one-off council tax energy rebate payment of £150. This payment will operate outside of the council tax system, using council tax lists to identify eligible households.
- 12.2 The Government will also provide funding for billing authorities to operate a discretionary fund for households in need who would not otherwise be eligible. This could include, for example, individuals on low incomes who live in properties valued in bands E – H.
- 12.3 Due to legislation only being laid before Parliament on 11 February 2022, a **discretion from Council to allow the Leader, in consultation with the s.151 Officer, to implement any changes to the Council Tax Reduction Scheme to align with legislation is proposed**. In addition, to enable the council to allocate the discretionary funding as outlined above changes to the existing discretionary policy may be required. To enable the Council to assist residents as soon as possible we are seeking Full Council agreement **for the leader, in consultation with the s.151 Officer, to have delegated authority to approve any such discretionary policy change** required to enable this funding to be allocated to those households in need. Both of the discretions would be published through the usual process for leader Decision making.

13. Financial Risks

- 13.1 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 budget.

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

<p>The Covid-19 pandemic</p>	<p>The Covid-19 pandemic continues to impact on the day to day business of the Council. The budget makes assumptions as to the likely impact of the pandemic on budgets over the next 3 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 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>
<p>Medium-term economic change</p>	<p>The pandemic continues to 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>
<p>Long-term societal change</p>	<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	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.
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 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 shortly, which will bring more clarity on the aims of the policy.</p>
Complexity and demand in Social Care & Client Transport	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.
Social Care Provider sustainability & Care Reforms	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.



- 13.3 A robust risk management approach will be taken to monitor, manage and mitigate these risks through the delivery of these draft budget plans.
- 13.4 Whilst the revenue budget proposals within this report include 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.
- 13.5 Given the number of local authorities whose financial struggles have been reported in the sector and national press over recent years, financial risk has been externally benchmarked using the Chartered Institute of Public Finance and Accountancy's (CIPFA) Resilience Index. This Index allows Local Authorities to assess and compare their financial resilience against a number of measures covering Reserves, funding risk, and exposure to Social Care demand risk. The data has been reviewed and the Council falls into the lower half of the risk assessment for all measures.

14. Legal and financial implications

- 14.1 This is a Finance report and all the financial implications are included in the report.
- 14.2 The Council is required under the Localism Act 2011 to set a council tax requirement for the authority. This report provides information which will support the council tax requirement proposed within this report, together with a budget for 2022/23, a three-year Medium Term Financial Strategy and a four-year Capital Programme.
- 14.3 The Council is required to set a balanced budget taking account of balances and any other available reserves before the commencement of the financial year to which it relates. The Local Government Act 2000 states that it is the responsibility of the Full Council, on the recommendation of the Cabinet, to approve the budget and related council tax requirement.
- 14.4 The Council has a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of the Council Tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers. Some savings proposals may need individual detailed consultation, and this will be carried out before decisions on those proposals are made.

15. Corporate implications

- 15.1 Actions resulting from consideration of this report may influence future expenditure in areas of concern / interest. Equalities impact screening will be undertaken for all significant new proposals within the budget, and full Equality Impact Assessments will be produced as projects are fully developed and where this is deemed necessary.

16. Consultation and communication

- 16.1 A public consultation on priorities and budgets was conducted between 6 October and 14 November 2021. The results have been reviewed by Cabinet alongside the final budget report.
- 16.2 Only 308 responses were received, with 292 of these responses being from residents.
- 16.3 Further consultation has taken place with the Buckinghamshire Business Group following approval of the draft budget by Cabinet. There was general support for the approach taken and the resulting budget. Their response is available as **Appendix 8**.

17. Background papers

Appendix 1 – Revenue Budget.

Appendix 2 – Capital Programme.

Appendix 3 – Detailed Revenue Budget changes.

Appendix 4 – Council Tax Resolution – ‘TO FOLLOW’

Appendix 5 – ‘Special Expenses’ budgets and precept.

Appendix 6 – ‘Special Expenses’ activities.

Appendix 7 – Council Tax Reduction Scheme Policy.

Appendix 8 – Buckinghamshire Business Group budget consultation response.