

Report to Cabinet

Title:	Draft Revenue & Capital Budgets for 2019/20 to 2022/23
Date:	10 December 2018
Date can be implemented:	18 December 2018
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Local members affected:	All
Portfolio areas affected:	All

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Summary

The report sets out the draft revenue and capital budgets for 2019/20 to 2022/23 for Buckinghamshire County Council only. It includes considerable growth in the budgets relating to Children's Social Care and Adults Social Care as well as considerable capital investment within both the roads programme and in relation to school places. This matches the priorities highlighted within the recent budget consultation.

No assumptions have been included in relation to the recent decision to create a new unitary authority in 2020. As part of the transition planning there will be a workstream around the financial strategy for the new authority.

Recommendation

Cabinet is asked to approve the draft Revenue and Capital Budgets for wider consideration by the Finance, Performance and Resources Select Committee and other interested parties such as the business community and partner agencies in Buckinghamshire.



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A. Narrative setting out the reasons for the decision

Strategic Plan and the National Context

1. The County Council is reviewing its Business Plans and the associated financing in order to develop robust budget proposals for the next 4 years. This process is aligned to the Strategic Plan and takes account of planned developments in Council services, the Government's policy programme and the significant financial challenges on the horizon. The Councils current strategic priorities focus on three key themes:

- Safeguarding the Vulnerable
- Creating Opportunities and Building Self-Reliance
- Keeping Buckinghamshire Thriving and Attractive

These Strategic Plan priorities have been used by the Cabinet to develop its budget proposals to ensure that services delivered to Buckinghamshire residents are focussed on the right areas, are of a high quality and represent value for money.

2. This year the business planning cycle is being undertaken against a backdrop of significant challenges within the Local Government sector. There have been well publicised cases, most notably the issuing of two Section 114 notices at Northamptonshire County Council, and the intervention of the Government to address a forecast funding gap of £178m by 2020/21. Other Councils, such as Birmingham City Council and Somerset County Council have been forced to utilise significant proportions of their reserves to fund spending pressures whilst other County Councils, such as East Sussex, have identified core service offers in order to guard against the risk of financial unsustainability.

3. Across local government services demand and market pressures are increasing, resulting in the need for rigorous service planning and the maximisation of opportunities to raise income. The draft revenue and capital budgets reflect these challenges and consequently feed into the strategic planning for the future, as reflected within the Medium Term Financial Plan.

4. On November 1st an announcement was made to create a brand **new single council** for Buckinghamshire in 2020 which would replace the current five councils. No assumptions have been included in the draft budget in relation to this decision. However, as part of the transition planning there will be a work-stream around the financial strategy for the new authority. A unitary reserve was created following the submission of the original business case and this reserve is forecast to be £7.7m as at the 31st March 2019. The overall investment costs will exceed this and, together, the five councils will need to ensure that there is sufficient budget to cover the investment costs required before the expected savings are realised. Furthermore, going forward there will need to be an impact assessment on all individual proposals to ensure that they do not potentially impact on the new council.

Autumn Budget and Local Government Finance Settlement

5. The financial year 2019/20 will be the final year of the four year financial settlement agreed between Buckinghamshire County Council and the Department for Communities and Local Government (now the Ministry for Housing, Communities and Local Government). This has provided the Council with a welcome degree of certainty on which to develop its Medium Term Financial Plan. The Local Government Finance Settlement for 2019/20, scheduled for release on 6th December 2018, will build upon this agreement, confirming the funding levels agreed in 2016 whilst also reflecting the additional changes and policy developments announced subsequently by the Chancellor on 29th October 2018 in his Autumn Budget.
6. The Chancellor's Autumn Budget included the significant announcement of additional one-off funding for Social Care in 2019/20, worth £650 million nationwide. This comprises the continuation of the national Winter Pressures funding for Adult Social Care from 2018/19 of £240m, and an additional £410m in recognition of the pressures experienced across all Councils providing social care Services to Adults and Children. The Buckinghamshire County Council allocation for Winter Pressures will be £1.67 million and will be included within the Health & Wellbeing portfolio and subject to conditions. The additional Social Care funding allocation for Buckinghamshire County Council will be £2.855m and can be utilised to support both children's and adults social care, the funding is non ring-fenced and has been added to contingency. It is worth noting that both of these funding allocations are one-off grants that will not be available beyond 2019/20.
7. Within the Chancellors Budget statement it was recognised that these measures are only a short-term measure. There is a significant level of uncertainty about the future funding for Local Government; with decisions still awaited in relation to the future funding of adult social care, Business Rates reform and the Fair Funding Review of Relative Needs and Resources for local authorities, which will seek to deliver an up-to-date assessment of local authorities relative needs and resources to set new baseline funding allocations. The impact of all of these potential changes will be significant and are currently unknown, which means that the Medium Term Financial Plan will need to be reviewed in light of both these future implications and as part of the financial strategy work-stream for the new authority. It should also be noted that there is a Comprehensive Spending Review scheduled to take place in 2019, which has the potential to have a material impact upon the financial circumstances faced by the Buckinghamshire Council's.

Rates Pooling

8. The Council currently has an existing agreement to a rates pool arrangement with Aylesbury Vale District Council, Chiltern District Council, South Buckinghamshire District Council and Buckinghamshire Fire & Rescue Service.
9. In July 2018 the Secretary of State published a prospectus inviting authorities to submit proposals for one-year only pilots of 75% Business Rates Retention. For two tier areas the prospectus proposed that the involvement of all authorities was required. Discussions were held with our District Council partners, and a proposal for Buckinghamshire to participate in this trial was submitted to the Ministry for Communities, Housing and Local Government in September 2018. It is estimated that if this bid is accepted it would benefit Buckinghamshire, as a whole, by approximately £7.7m in 2019/20, with Buckinghamshire County

Council retaining £3.85 million of this overall one-off benefit, which would be available to support the financial sustainability and growth agenda

10. An announcement on the success of this and other bids is expected alongside the Local Government Provisional Settlement in December. As such there is no provision for the benefit of trailing 75% Business Rates Retention included within this draft budget.

Budget Development Methodology

11. Each Cabinet Member has developed revised strategic plans and Business Unit plans, reflecting corporate and Member priorities, as set out within the Strategic Plan.
12. The capital budget proposals from each Portfolio have been reviewed by the Asset Strategy Board (ASB) and the proposals presented here reflect the recommendations from Cabinet Members incorporating the advice from the ASB to fit within available resources.
13. The Council ran a general public consultation on budget priorities earlier in the year which ended on 14th November. A summary of the results can be found in **Appendix 6** to this report.
14. In these challenging financial times, with significant demand pressures upon services, it is inevitable that difficult decisions will have to be made about service delivery, particularly in relation to those more vulnerable in our society. It is, therefore, important that the Council sets a balanced budget with due regard to the impact that its decisions will have on service users. To this end, risk and impact assessments have been undertaken in agreement with Cabinet Members and will be published on the Council's website. Risk and impact assessments are required for all decisions over the minimum threshold of £50,000.

Draft Revenue Budget

15. The starting point for the Revenue budget is the balanced Medium Term Financial Plan set by the Council in February 2018. The paragraphs below set out the most significant changes and impacts reflected within the draft revenue budget, whilst the detailed revenue budget proposals to address these challenges are set out in **Appendices 1, 2, and 3**. In particular, there has been increased investment added to the proposed budgets in the **priority areas** highlighted within the recent budget consultation, as follows:-
 - Protecting Vulnerable Children – the Children's Social Care Portfolio has been increased from £65.2m to £75.9m to reflect the current year and forecast demand pressures;
 - Supporting Vulnerable Adults and Older People – the Health & Wellbeing Portfolio has been increased from £132.3m to £136.0m to reflect demography pressures (volume, complexity and market pressures). This is after expected savings of £2.5m relating to the Adults Transformation Programme;
 - Roads / Highways Infrastructure – some extra funding has been added around growth in highways maintenance (£530k) and in relation to the impact of asset growth (£163k). Furthermore, significant investment in highways has been included within the draft Capital Programme (see below).

16. In the current financial year **demand pressures and the increasing complexity of care and support needs have continued to increase for both adults and children's social care**. In line with this real life evidence, the portfolio budgets for Health & Wellbeing and Children's Social Care have been increased (see above) to reflect increases seen around both the volume of care and support provided and assumptions made around their changing nature. The Council continues to maintain an additional contingency budget for further demographic increases (equivalent to 1%) in these portfolios.
17. In the current year there have been **challenges in delivering the savings** which had been planned previously. Through effective management these are being broadly managed. However, this has highlighted the need for a robust challenge to previous saving and income assumptions to ensure that future proposals are reliable and deliverable.
18. As agreed last year it is proposed to **increase Council Tax by 2.99%** for 2019/20. This reflects the decision to accept the additional flexibility in the Adults Social Care Precept and to increase it by the maximum 3% for 2017/18 and 2018/19, which in turn means that a 0% Adults Social Care Precept will be set in 2019/20. It is anticipated that the Secretary of State will retain the **Council Tax Referendum limit at 3%**, as announced in the 2018/19 Provisional Local Government Settlement.
19. There has been some evidence of economic growth in Buckinghamshire which as well as the obvious community benefits, brings an increase in income to the Council generated from local taxation. Indications received from District Councils suggest a small increase in Council Tax income and a small surplus on collection from the current year, which have been reflected in these draft budget proposals. This will be confirmed by the District Councils in late January.
20. The impact of the **National Living Wage** is still not significant in terms of a direct impact on Council salary costs. However, there will be a much larger impact in respect of schools staffing which will impact on the Dedicated Schools Budget. Furthermore, there is likely to be some impact on care workers in residential establishments and domiciliary services and the consequent impact on contracts the council holds with care providers. A corporate contingency exists to cover the impact of the National Living Wage on contract costs.
21. The Government continues to restructure Schools funding as we move towards the National Funding Formula. A recent announcement has increased the overall funding to schools over the next two years and this is currently being consulted upon and discussed with the Schools Forum. On the 'High Needs' block some difficult decisions will need to be made on priority spending areas due to the current pressures being experienced.
22. The Corporate Costs budget falls in 2019/20 as a number of previously agreed **contingencies** are being released into Social Care budgets to address pressures identified in the current year and those expected in future years. After this the budget increases year on year as it includes contingency budgets for future Pay Costs and, as such, shows a steady increase over the period. This pay costs contingency will be allocated out to Portfolios as future pay awards are agreed. There are a number of additional contingencies for high risk areas such as for additional Social Care demographic increases, the impact of the National Living Wage and the risk of not fully realising all savings proposals.

23. In addition to the specific points drawn out above, each Portfolio has revisited the budget assumptions, reflecting challenges to the delivery of previous plans, new demand pressures and the need to find further efficiencies and savings to support the Council's overall financial health. The details of these proposals are set out in **Appendix 3**. Details of proposed changes to the Public Health budget are set out in **Appendix 4**.
24. **General Fund Reserve** levels are currently forecast to be £26m at the end of this financial year. The strategy is to increase these to £30m in 2019/20 by allocating some of the **one-off gain** relating to the elimination of 'negative Revenue Support Grant' (main government grant) that had originally been announced as part of the four year government funding settlement. Without this change it would have meant that some of our own receipts would have been redistributed elsewhere across the country. This elimination will now be used as set out below:-
- Add £4m to General Fund reserves (to bring levels up to £30m);
 - Use £4.35m to help balance the MTFP over the first few years;
 - Add £1m to the Highways Plane & Patch programme in 2019/20;
 - Transfer £1.6m to an earmarked reserve to help cover future high risk care costs and uncertainties around future funding announcements (post 2020).

Draft Capital Programme

25. The details of the draft Capital Programme are set out in **Appendix 5**. This includes considerable investment in a number of **priority areas**, including:-
- Primary & Secondary School Places - £110.6m over the next 4-years;
 - Schools Property Maintenance – £16.7m over the next 4-years;
 - Major Infrastructure Schemes (LEP) - £51.9m over the next 3-years;
 - Flood Defence Schemes - £9.9m over the next 3-years;
 - Bio-waste Treatment - £5.7m over the next 3-years;
 - Highways Maintenance - £61m over the next 4-years;
 - Footways Structural Repairs - £1.5m p.a.;
 - Drainage Maintenance - £1m p.a.;
 - Street Lighting Column & Lantern Replacement - £2m p.a.
26. A review of the assumed level of capital receipts and developer contributions has been undertaken, and available capital resources adjusted as a result of this, including assumptions about developer contributions which will be received after expenditure has been incurred. The agreements allow for the expenditure to be forward-funded though short-term borrowing. Announcements in respect of non-ring-fenced schools basic need and schools maintenance have not yet been made for later years in the programme, so estimates are still used at present.
27. The Government has continued its practice of not providing specific capital resources for Early Years Provision; so no new allocations have been made to the programme. Primary and Secondary provision spending has been maintained at previously agreed levels, although the timing of expenditure has been reviewed to better align to expected need. Without funding for Early Years provision the Council will need to continue to work closely with the private and voluntary sectors to ensure that sufficient provision is available.

28. The Leader's portfolio continues to include significant levels of capital investment on behalf of the Local Enterprise Partnership (LEP). These represent targeted investment in the infrastructure of the county, which supports the growth agenda. These schemes are largely funded by S106 / grant income.
29. A number of Housing Infrastructure Fund Marginal Viability schemes, where funding is made available by Central Government to fund projects which result in increases in housing growth, have been included within the Capital Programme. A number of these bids originate with the District Councils but reflect elements of the bid for which the County Council has responsibility. Further bids are under consideration by Central Government and will be added to the Capital programme if and when they are agreed. The final Housing Infrastructure Fund bid will not be submitted until the end of the current financial year and, consequently, is not included within the draft capital programme at this stage.
30. £8.8m of ICT projects have been included to drive the digital transformation of the Council and deliver an efficient, effective and customer-focussed working environment.
31. A number of additional schemes continue to be under review and await a full business case to demonstrate that they are able to be funded from borrowing and will be added to the Final Capital Programme if they deliver sufficient return on investment.
32. The Highways Maintenance budget has been set at **£15m** for all years of the Capital Programme. However, an **additional £1m** has been included in 2019/20 specifically for a **plane & patch programme**. This is on top of the recent Autumn Budget announcement in which the Council was awarded **£4.654m in 2018/19**. Together this provides a programme of **£5.654m** which can be used as a first response pot to tackle urgent road repairs as and when required. Overall this level of investment is above the level required simply to maintain the condition of the Highways network and should support some improvement in overall condition of the Highways network.

Risks within the draft revenue budget and draft capital programme

33. Whilst every effort has been made to produce a robust and secure budget, there is always risk within the proposals made. Given the uncertainty surrounding Local Government finances, potential changes to Social Care policy, and the wider political and economic environment there are some substantial risks within the budget. The table below expands on the most significant risks:-

Complexity of demand in social care and home to school transportation services	Social care and transportation budgets are both subject to significant variations in terms of demand and complexity. Historically this risk has been managed through Corporate Contingencies; however these budgets have been reduced in the current MTFP process in order to address the current pressures identified within budgets.
Social Care Funding and Policy	We are still awaiting the Green Paper on Social Care. This is an area of significant budgetary pressure for authorities providing care services. Our assumptions include the continuation of funding from the Improved Better Care Fund and a level of funding equal to the Adult Social Care Precept continuing beyond the current settlement, which ends in 2020.
Social Care Provider Failure	The Care Act 2014 introduced a new statutory duty for local authorities with responsibility for adult social care in relation to managing the market including, where necessary, making

	arrangements for the continuity of care in the event that a social care provider closes. The Care Quality Commission issued a statement on 5 th November 2018 indicating that they “consider there to be a credible risk of service disruption” in relation to the home care provider Allied Healthcare. Whilst Allied Healthcare has indicated that they believe that they have appropriate funding in place, Buckinghamshire County Council will continue to monitor this situation alongside the wider social care market.
Changes to the Local Government funding system	The Fair Funding Review is currently reviewing the allocation of funding to Local Government. Its intention is to produce a more transparent model that also better aligns funding and need across all authorities. This could result in significant change to the allocations assumed within our modelling. Furthermore, 75% business rates retention will commence from 2020 onwards. As well as presenting opportunities this also brings risks, especially at a time when the retail sector is struggling.
Energy from Waste gain share income	This income is based on the delivery of energy generation above that within the contract between Buckinghamshire County Council and FCC. Additional down-time or volatility in the energy market could either reduce the amount of additional electricity generated, or see the income derived from excess energy reduce.
Deliverability of planned savings	Evidence from other local authorities and local experience suggest that it is getting harder to deliver savings in the face of growing and changing demand.
Dedicated Schools Grant - High Needs block demand	If demand for Education, Health & Care Plans (EHCPs) for complex needs continues to be above the level of funding within the Dedicated Schools Grant (DSG) High Needs Block, the DSG reserve will be depleted and costs are likely to fall onto other budgets.
Investment property income	Whilst offering significant benefits in terms of the income generated, there are also risks within the commercial property market. Well publicised High Street failures suggest that the retail sector is struggling and local experience supports this. To an extent this is mitigated by holding a diversified portfolio and the allocation of some income to a reserve to cover voids however, a multi-sectoral deterioration in market conditions could be significantly detrimental to budgeted income streams.
BREXIT	The impacts of an adverse BREXIT could be felt through many mechanisms, including but not limited to:- <ul style="list-style-type: none"> • Wage inflation in our supply chain due to lack of suitable employees • Loss of knowledgeable staff • Council tax receipts reductions due to emigration • Business rate receipt reduction through failure / emigration of UK businesses • National tax take reductions requiring greater savings in Local Government • Changes to the level of benefits claimants, and hence increases in Council Tax discounts.
Local Government reorganisation	The impact of the recent decision to establish a single unitary authority for Buckinghamshire will have resource implications as the transition process is developed and implemented. A reserve has been created that is forecast to be £7.7m as at 31 st March 2019.

34. Whilst many of these risks are outside our immediate sphere of influence, there are robust processes in place, which ensure that we maximise the opportunity to mitigate any of these risks should they arise and we actively seek to influence

those making decisions to do so without unduly impacting upon the Council. These risks cannot be avoided, but with careful management, and prompt and decisive action, their impact can be minimised.

B. Other options available, and their pros and cons

35. All relevant options and priorities have been considered as part of the Medium Term Financial Planning process.

C. Resource implications

36. This report is inherently about resource allocations and priorities of the Council. The issue is, therefore, covered in the main body of the report.

D. Value for Money (VfM) Self Assessment

37. The Council's Medium Term Financial Planning process is designed to provide value for money and to maximise efficiency savings.

E. Legal implications

38. The Council is required to set a balanced budget before 10th March in accordance with Section 32 (10) of the Local Government Finance Act 1992. Some savings proposals may need individual detailed consultation and this will be carried out before decisions on those proposals are made. If the responses to those consultations in the context of equality impact assessments are such that an individual proposal is not progressed, then alternative proposals will be considered including the use of reserves/contingencies.

F. Property implications

39. The capital elements of this report and its appendices include investment in new property as well as upgrading and extending the useful life of existing assets.

G. Other implications/issues

40. Inevitably the impact of changes to financial resources is wide-ranging. The individual implications have been considered as part of working up the detailed proposals; most particularly an Equality Impact Analysis has been carried out on the relevant draft proposals, as reported.

H. Feedback from consultation, Local Area Forums and Local Member views

41. The Council carried out an on-line Budget Consultation exercise during October / November. The budget proposals contained within this report will undergo review by a special Budget Scrutiny group of the Finance, Performance & Resources Select Committee in January. Businesses within Buckinghamshire will be consulted on the proposals through the Buckinghamshire Business Group in January 2019. Dependent on the nature of the individual changes proposed in Appendix 3 there will be specific consultations undertaken as part of the projects to implement the changes.

I. Communication issues

42. Once Council has agreed the budget and amendments to the Strategic Plan it will be communicated to both residents and staff.

43. Communications on specific proposals within Appendix 3 will be undertaken as part of the projects to deliver the proposed changes.

J. Progress Monitoring

44. Once the budget has been set, delivery will be monitored as part of the Council's normal performance monitoring arrangements.

K. Review

45. The Medium Term Financial Plan is reviewed on an annual basis.

Background Papers

None

Your questions and views

If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.

If you have any views on this paper that you would like the Cabinet Member to consider, or if you wish to object to the proposed decision, please inform the Democratic Services Team by 5.00pm on 7 December 2018. This can be done by telephone (to 01296 382343 or e-mail to democracy@buckscc.gov.uk)