



Report to Cabinet

Date:	5th January 2021
Title:	Draft Revenue budget and Capital Programme
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:	Cabinet is asked to; <ul style="list-style-type: none">- approve the draft revenue budget and capital programme.- note that a supplementary report, the formal Council Tax Resolution, will accompany the final Budget to Full Council.
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 24 th February 2021.

1. Executive summary

- 1.1 The budget presented within this report is heavily influenced by the Covid-19 pandemic.
- 1.2 Given the levels of uncertainty around government funding levels beyond 2021/22 and the difficulties with accurately forecasting the longer-term implications arising as a result of the pandemic the revenue budget proposed within this report is for 2021/22 only. This ensures that the Council does not make decisions based on assumptions which are impossible to estimate at this stage given the international, national and local fiscal impact of the pandemic.

- 1.3 The Spending review has already confirmed most funding assumptions included within the draft budget. The Provisional Local Government Settlement was announced on 17th December and clarified some outstanding assumptions.
- 1.4 Changes to the revenue budget are largely focussed around resolving legacy budget issues, responding to increases in demand and dealing with losses of income (both service and corporate) as a result of the Covid-19 pandemic, together with the mitigation of risk relating to the wider impact of the pandemic.
- 1.5 The draft budget proposed is built on the estimated Council Tax base and assumes 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 Government has announced through the Provisional Local Government Settlement the option of councils levying an additional 1% in council tax specifically to address pressures in adult social care. It is not suggested that this is levied for financial year 2021/22; however, given the ongoing and well documented pressures for adult social care providers and the increasing number of people in the county needing adult social care services the council will need to revisit this potential additional source of income when considering the budget for 22/23.
- 1.6 The draft budget includes a small one-off use of General Fund balances (£115k) in order to produce a balanced budget and mitigate financial risks in 2021/22.
- 1.7 The Capital Programme is presented over 4 years as many schemes span 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 due diligence and final Cabinet approval.

2. Content of this report

- 2.1 This report sets out the draft 1-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 both now and in the future.
 - 2.3 The Council Tax Resolution report will be presented as a separate report as part of the 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. These are particular costs that are specific to an area and are 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
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Wycombe Church Yard and Aylesbury Town. Discussions are ongoing to agree special expenses budgets for 2021/22, and these will also be presented alongside the final budget.

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 sets out what we want to achieve and how we will do it, addressing the challenges we face and harnessing opportunities, while the budget proposals set out in this report propose how we will resource this in a robust and prudent manner.

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

4.1 The global pandemic has significantly impacted on the operations of the Council, 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 financial position of the Council.

4.2 At quarter 2 of 2020/21 expenditure pressures of £203m, including Infection Control, Business Grants and Test and Trace had been identified, along with £20m of lost service income. To offset this £220m of government grants had been received or were expected within the year. In addition, the expected impact on Council Tax and Business Rate income is estimated to equate to a reduction of approximately £13.5m.

4.3 Given the ongoing development of the pandemic it is expected that many of these impacts will continue into 2021/22, and potentially beyond. The Provisional Local Government Settlement (see below) provided some clarity into government funding for these pressures.

4.4 The following ongoing impacts will be felt in the short-term, and potentially the medium-term:

4.5 Income from discretionary and statutory services has been reduced as a result of social restrictions, working from home, limitations on household mixing, closure of shopping and leisure facilities and the general impacts of the economic downturn.

4.6 Rental income from property assets is reduced as businesses suffer from the economic downturn.

4.7 Demand and costs / lost local taxation income of supporting the vulnerable have increased as additional measures are required and the quantum of people needing support as well as the level of support required have increased.

- 4.8 The need to invest in the local economy to support jobs and growth.
- 4.9 The continuation of these impacts has been central to the development of the proposed draft budget. Whilst some of these impacts will 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.

5. The impact of creating the new Unitary Council

- 5.1 2020/21 is the first year of operation for Buckinghamshire Council and bringing the new Council into operation was a significant task, requiring the bringing together of the five legacy Councils. The focus in the lead up to vesting day was to ensure that the new council could operate successfully from day one. Plans are now in place as part of the Better Buckinghamshire programme to fully integrate teams and systems to ensure better outcomes for residents and businesses in the most cost-effective way.
- 5.2 The Council remains committed to delivering a consistent and quality service to all residents. The Better Buckinghamshire Programme is focussed on resetting service standards and ensuring the recovery from the pandemic does not impact on either the service ambitions of the Council or the savings required to demonstrate value for money for residents.

6. Spending Round 2020 and the Local Government Finance Settlement

- 6.1 The Government's Spending Round 2020 included some significant spending announcements of interest to Local Government. Key to these were:
- Continuation of the £1bn grant for Adults Social Care into 2021/22;
 - The announcement of a public sector pay freeze which applies to public sector bodies which are under direct treasury control. This restriction does not apply to local government and in addition Buckinghamshire Council determines its own pay – it is not part of any local government negotiations;
 - The Council tax referendum threshold to remain at 2%;
 - The continuation of the Adult Social Care Precept in 2021/22 (allowing a 3% increase which can be partly deferred into 2022/23);
 - A further £300m to cover social care pressures;
 - £3bn of additional support to deal with Covid-19 in 2021/22, including additional expenditure pressures, supporting households least able to afford Council Tax payments and to compensate Council's for 75% of lost Council Tax and Business Rates in 2020/21;
 - Extension of the existing Covid-19 sales, fees and charges reimbursement scheme for a further 3-months until the end of June 2021;
 - An additional £254m in 2021/22 to address Homelessness and rough sleeping;
 - A "levelling up" fund of £4bn for local infrastructure projects, which will involve a bidding process.

- 6.2 Since the Spending Round announcements were only for 2021/22 there remains uncertainty over future funding levels.
- 6.3 The Provisional Local Government Finance Settlement was announced on 17th December. This confirmed the Council tax referendum threshold at 2%, and the ability to levy up to an additional 3% through the Adult Social Care Precept. The Council also received £418k from the £300m Social Care pressures funding and £11.132m of additional grant to cover ongoing Covid-19 expenditure pressure. A new one-off Lower Tier Support Grant was announced, and the Council will receive £423k in 2021/22.
- 6.4 The scheme to compensate for 2020/21 lost Council Tax and Business Rates income was confirmed, and the mechanism of payment was clarified. The amount received will not be known until final losses are confirmed in 2021/22.
- 6.5 As expected, it has been announced that there will be a further delay to the Fair Funding Review of Local Government funding and to a move to 75% business rates retention, which were expected for 2020/21. Furthermore, there are further delays to the publications of a new policy and funding arrangements for Social Care. These initiatives are expected to have significant impacts on the Council when they are brought forward.

7. Developing the budget proposals

- 7.1 The response to and recovery from the Covid-19 pandemic has been a major focus of the operation of the council during its first year of existence alongside business as usual and service transformation. It has significantly impacted both the day to day operations and the financial plans of the council. As such this budget is in part designed as a 'Covid-19 response and recovery' budget.
- 7.2 These budget proposals have been developed in parallel with the evolution of the pandemic and there is significantly more uncertainty in the assumptions that underpin these proposals than in previous budget proposals.
- 7.3 Whilst the importance of financial planning over the medium-term is recognised in supporting and evidencing the financial sustainability of the council, there is too much uncertainty within 2021/22 to robustly plan beyond that timeline.
- 7.4 The starting point for the Revenue Budget was the existing plans agreed by the Shadow Authority in February 2020, and the continued deliverability of these pre-existing proposals.
- 7.5 Each Portfolio Holder has been supported by officers to produce a set of draft revenue budget and capital programme proposals which continue to support the delivery of the Corporate Plan and which address the pressures and recognise the risks resulting from Covid-19.

- 7.6 A review of the Capital programme was conducted, with the intention of identifying opportunities to reduce and remove projects from the previously agreed capital programme to create headroom until the capital requirements of the Council are clear in a post-Covid world.
- 7.7 This process incorporated the consideration of new bids which contributed to the Covid-19 response and recovery and the ongoing transition from 5 legacy council to the new Unitary Council. Bids were prioritised and the proposals contained within this report have been made by members and officers according to their relative priority.
- 7.8 These proposals have been reviewed by both the Officer and Member groups of the Council to ensure they are robust, deliverable, reflective of the Corporate Plan, are appropriately risk-assessed, and ensure the financial sustainability of the Council.
- 7.9 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. Any amendments required will be reflected in the final budget, to ensure that the budget remains robust and appropriate.

8. The Draft Revenue Budget

- 8.1 Covid-19 'response and recovery' sits at the very heart of these revenue budget proposals. Whilst this budget is only for one year, this reflects the uncertainties in what the 'new normal' will look like.
- 8.2 The impact of Covid-19 on these budget proposals is primarily through:
- a) reduced Council Tax and Business rates receipts;
 - b) reduction in service income (Rental income, parking charges, planning income, etc.);
 - c) increased service costs to meet demand arising from the impacts of Covid-19
 - d) Additional contingencies to manage increased risk levels;
- 8.3 The overall revenue budget, with each portfolio's element expanded, can be found in **Appendix 1**.
- 8.4 The key proposals contained within the draft budget are:
- Reductions in both Council Tax (£5m) and Business Rate (£4.8m) receipts as a result of declining economic activity;
 - Significant increases in corporate contingencies to mitigate the increased risk (especially for social care placements, leisure providers and the wider economic uncertainties) arising from the pandemic;
 - The use of £2m of General Fund reserves to create an earmarked reserve to mitigate economic risk in 2021/22;

- Additional investment in both Adults and Children’s Social Care budgets to address the continued increases in demand, cost, complexity of the cases managed and market sustainability;
- A reduction in expected income levels from parking of £5.3m;
- A reduction in expected income levels from Leisure services of £1.9m;
- A reduction in property rental income of £1.2m;
- The addition of £4.5m in Home to School Transport budgets to reflect increased complexity in Special Need provision, increased demand and lost income.
- The delivery of savings of £13m in 2021/22, which includes a further £3.3m savings from the creation of the Unitary Council and £2.2m of transformational savings in Adult Social Care.

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

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

8.7 In addition, it is proposed that an **Adult Social Care Precept of 2%** be levied. In line with Government requirements this additional funding is all allocated to Adult Social Care budgets.

8.8 Within the draft budget are contingency budgets, which are held both to mitigate future budget risks, and to fund future pay increases.

8.9 The forecast **General Fund balance for the council after the recommendations in the draft budget is expected to be £47m**, after £115k usage proposed within these draft budget proposals to address risks and pressures resulting from the Covid-19 pandemic. This balance represents more than **10% of the net operating budget**.

8.10 Whilst this is only a short-term budget for 2021/22 assumptions for 2022/23 onwards have been considered and the budget setting process for 2022/23 onwards is already under consideration to ensure the ongoing sustainability and resilience of the Council.

9. The Draft Capital Programme

9.1 The Capital programme covers the period 2021/22 to 2024/25, in the recognition that capital projects are often multi-year projects and the uncertainty arising from the pandemic can be managed in other ways.

9.2 A Capital programme review was conducted which covered the existing Capital programme, 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.

9.3 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.

- 9.4 Following this review there are recommendations to reduce/remove the capital projects identified from the formal capital programme. Several schemes were removed as they could already be delivered to lower specifications or were no longer required.
- 9.5 Further schemes have been removed on the basis that there are no firms plans in place and/or requirements may change in a post-Covid environment. Any of the schemes could be reconsidered for inclusion in the capital programme later if there is a valid positive business case agreed by Cabinet and when plans are clearer.
- 9.6 A review of need around Household Waste Recycling Centres has already been identified, and proposals will be developed and included in future budget setting.
- 9.7 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. In this way, some of the schemes removed can still come forward once detailed requirements and a suitable business case has been developed.
- 9.8 The overall Capital programme and each Directorates element of the Programme can be seen in **Appendix 2**.
- 9.9 Key highlights within the draft programme are:
- **£39.1m** to support Economic Growth & Regeneration;
 - **£161.1m** on schools, and school improvement projects;
 - **£128.4m** on Strategic Highways maintenance including **£62.4m** on the Strategic Highways maintenance programme, **£17.4m** on Plane & Patch and **£8.3m** on Footways;
 - **£62.6m** on Strategic Transport & Infrastructure;
 - **£19.9m** investment in Waste, primarily on vehicle replacement;
 - **£15.5m** to support Housing and Homelessness including affordable Housing action plans and disabled facilities grants.
 - **£14.9m** investment on Leisure Centres;
- 9.10 All revenue consequences of the Capital programme have been included in the draft revenue Budget.

10. Financial Risks

- 10.1 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.

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

<p>Medium-term economic change</p>	<p>The Covid-19 pandemic has had a very significant impact on the economy, with business failures likely, sudden increases in unemployment and unprecedented levels of debt being issued to fund the pandemic response. This is likely to impact on local and national tax receipts, and subsequently on the future funding available to the Council, and through increased demand for support services, decreased demand for non-statutory services and increased benefits claims.</p>
<p>Long-term societal change</p>	<p>The pandemic has required immediate changes to the way we all live our lives. Whilst some of these will be short-lived, others may persist as both businesses and individuals consider how they wish to live and work in the future. Whilst initial estimates of these impacts have been made for the proposed 2021/22 budget, there could be significant changes to income and service demand levels as a result of these changes.</p>
<p>Complexity and demand in social care</p>	<p>Social care budgets both subject to significant variations in terms of both demand and complexity in 'normal' circumstances. The consequences of Covid-19 are that this unpredictability has significantly increased, as a result of the impact of lockdowns and other changes in lifestyles. Whilst all reasonable efforts have been made to predict these, they remain volatile and uncertain.</p>
<p>Social Care Provider Failure</p>	<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. This was already considered as a significant risk and the pandemic has increased the likelihood of this occurring.</p>
<p>Brexit</p>	<p>The impacts of Brexit could be felt through many mechanisms, including but not limited to:</p> <ul style="list-style-type: none"> • Wage inflation in our supply chain due to lack of suitable employees • Loss of knowledgeable staff

	<ul style="list-style-type: none"> • Council tax and business rate receipts reductions due to failure / emigration • National tax take reductions requiring greater savings in Local Government • Changes to the level of benefits claimants, and hence increases in Council Tax discounts.
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10.3 A robust risk management approach will be taken to monitor, manage and mitigate these risks through the delivery of these draft budget plans.

10.4 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.

11. Other options considered

11.1 None arising directly from this report.

12. Legal and financial implications

12.1 This is a Finance report and all the financial implications are included in the report.

12.2 The Council is required to set a balanced budget before 10 March in accordance with 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.

13. Corporate implications

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

14. Consultation and communication

14.1 A public consultation on priorities and budgets was conducted between 1 October and 8 November 2020.

14.2 905 responses were received, including 9 from representatives of organisations.

14.3 A summary of the results of this can be found as **Appendix 4** to this report.

15. Next steps and review

- 15.1 Over the course of three days 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.
- 15.2 Following the announcement of the Local Government Settlement, the implications of these announcements will be considered, and amendments may be required to the draft budget. Options will be discussed, and any changes presented as part of the final budget.
- 15.3 The final budget will be presented to Cabinet on 16th February 2021, and then the Full Council on 24th February 2021.

16. Background papers

Appendix 1 – Revenue Budget.

Appendix 2 – Capital Programme.

Appendix 3 – Detailed revenue budget changes.

Appendix 4 – Budget consultation results.

