



Report to Cabinet

Date:	16th February 2021
Reference number:	N/A
Title:	2021/22 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:	Council is asked to; <ul style="list-style-type: none">- approve the Revenue Budget and Capital Programme (Appendices 1-3).- approve the ‘Special Expenses’ budgets, precepts and associated services for Aylesbury Town, High Wycombe Town and West Wycombe Church Yard (Appendix 5 & 6).- support the proposal to delegate to Cabinet decisions to add up to £100m to the Capital programme, to be funded by Prudential Borrowing (see section 9.5).- approve the Council Tax Reduction Scheme Policy (appendix 7).- approve the schedule of Fees & Charges as set out in Appendix 8.- note that a supplementary report, the formal Council Tax Resolution, will accompany the final Budget to Full Council.

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 is heavily influenced by the Covid-19 pandemic and has been updated following the third national lockdown and potential ongoing financial impacts.
- 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 accurately estimate at this stage given the global, national and local fiscal impacts of the pandemic.
- 1.3 The Final Local Government Settlement was announced on 4th February 2021. 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 Changes to the draft revenue budget are largely focussed around the heightened risks as a result of the pandemic. In particular, losses of income linked to business rates and other service income budgets. The third lockdown has further increased the economic uncertainty and financial risks in the 2021/22 budget.
- 1.5 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 Government has announced through the Local Government Settlement the option of councils levying up to 3% for the Adult Social Care Precept. This budget includes 2% Adult Social Care Precept 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 additional 1% as a potential source of additional income when considering the budget for 2022/23.
- 1.6 The revenue budget includes a small one-off use of General Fund balances (£47k) in order to produce a balanced budget and mitigate financial risks in 2021/22.

- 1.7 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 1-year revenue budget for 2021/22 and 4-year capital programme for Buckinghamshire Council covering the period to 2024/25.
- 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 recent budget scrutiny inquiry.
- 2.3 The Council Tax Resolution report will be presented as a separate report as part of the budget to Council 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 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. Following consultation with the relevant committees the proposed budgets and 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 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. Local Government Funding

- 4.1 The Final Local Government Settlement was announced on 4th February 2021. There were no changes and as such this confirmed the figures published in the Provisional Settlement which form part of these budget proposals.
- 4.2 Since the Spending Round and Local Government Settlement announcements were only for 2021/22 there remains uncertainty over future funding levels beyond 2021/22.
- 4.3 The Chancellors Economic Statement of 11th January indicated there are likely to be controls on public spending going forwards. As Local Government is an unprotected Department this is likely to have a negative impact on the Council's finances in future years.
- 4.4 The scheme to compensate for 2020/21 lost Council Tax and Business Rates income has been confirmed, and the mechanism of payment was clarified. The amount received will not be known until final losses are confirmed in 2021/22, and an estimate of the proportion receivable due to losses in 2021/22 is included within this budget.
- 4.5 Where funding announcements are guaranteed for one year only these are only being used for one-off investment, including the costs of change. This represents prudent practice where funding is not certain to continue.
- 4.6 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 originally 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.

5. Council Tax

- 5.1 The Secretary of State announced that the Council Tax Referendum threshold will be 2% for 2020/21. It is proposed to **increase Council Tax by 1.99%**.
- 5.2 In addition, the ability to levy an Adult Social Care Precept of up to 3% was announced. The budget proposed includes **an increase of 2% in the Adult Social Care Precept**, with the option to add the remaining 1% in 2022/23. In line with Government requirements this additional funding is all allocated to Adult Social Care budgets.
- 5.3 The Council Tax Resolution, which agrees the levels of Council Tax for the Council and all preceptors, will be presented as appendix 4 to Council for approval.

- 5.4 In Aylesbury Town, High Wycombe and West Wycombe Church Yard there are 'Special Expenses' areas in operation. 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. Details of the proposed 'Special Expenses' budgets and precepts, and the services included within this charge can be found in **Appendices 5 & 6**.
- 5.5 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). (**Appendix 7**). It is recommended the Council Tax Reductions Scheme Policy be approved.

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

- 6.1 The global pandemic continues to impact 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.
- 6.2 Given the ongoing development of the pandemic it is expected that many of these impacts will continue into 2021/22, and potentially beyond. The Final Local Government Settlement confirmed short-term government funding for these pressures.
- 6.3 The following ongoing impacts will be felt in the short-term, and potentially the medium-term:
- 6.4 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.
- 6.5 Rental income from property assets is reduced as businesses suffer from the economic downturn.
- 6.6 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.
- 6.7 The need to invest in the local economy to support jobs and growth.
- 6.8 The continuation of these impacts has been central to the ongoing review and of the 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.

- 6.9 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.

7. Changes from the Draft Revenue Budget

- 7.1 Since the Draft budget was agreed by Cabinet on 5th January 2021 work has continued to refine proposals, and to revise them in light of the third National Lockdown.
- 7.2 This third lockdown is likely to see some current Covid-19 impacts extend into 2021/22 at a higher level than expected when the Draft Budget was presented. This is due to additional financial hardship, job losses, and business failures, and the resulting changes in demand for services and income generated from Sales, Fees and Charges.
- 7.3 It has been announced that additional grant will be received to compensate for lost Council tax income as a result of financial hardship and the awarding of local Council Tax discounts. The level of discounts assumed in the Draft Budget is deemed sufficient, and since this funding is un-ringfenced it can be used to help mitigate other pressures emerging since the Draft Budget was approved.
- 7.4 During the week commencing 11th January the Draft Budget was reviewed and challenged by the Budget Scrutiny Committee. Their report recommended changes to the budget to reflect the increased risk to budget projections as a result of the latest lockdown.
- 7.5 Changes have been included in the final budget to provide additional funding for Cultural Services, provide additional economic uncertainty contingency against further losses of service income / support for outsourced providers income losses (recommendation 2), Demand, price and complexity pressures in Children's services (recommendation 4), specific contingency against further losses of property rental income where no government support has been forthcoming (recommendation 9) and to cover additional member allowance costs if local elections are postponed further (recommendation 14).
- 7.6 The impact of the changes proposed since the Draft Budget is shown in the table below;

Corporate items		£000's
Additional Grant		
	Additional Local Council Tax Support grant announced (unringfenced). Additional support already in budget proposals. This provides an opportunity to reiew other risks / lost income / business failures.	- 5,294
Scrutiny recommendations		
Rec 2	Council Tax and Business Rates Contingency - Economic conditions continue to deteriorate and estimates suggest receipts will reduce further following the current lockdown. This reflects the balance of the additional LCTS grant above that which is already built into the Council tax forecast, and an allowance for further Business Rates decline.	2,000
Recs 2 & 4	Additional contingency for general economic uncertainty (from £1.0m to £3.0m)to recognise the increased risk to service income streams (Parking, Planning, EfW, Waste and other Sales Fees and Charges), increased support costs for outsourced services (such as Leisure) and the uncertainty in demand levels especially within Children's and Adults Social Care budgets.	2,000
General comment	Additional funding for Cultural services	100
Rec 9	Increased losses from property rental income as a result of latest lockdown and ongoing consequences (from £1.2m to £2.0m). These are not recoverable from the Governments Sales, Fees & Charges lost income compensation scheme.	800
Rec 14	Contingency - potential additional costs resulting from potential delay of Elections by 6 months	326
Net change to Draft Budget		- 68

- 7.7 As a result of the changes made to the draft budget there is now a requirement to use £47k of General Fund balances to mitigate risks within the 2021/22 budget.
- 7.8 The forecast **General Fund balance for the council after the recommendations in the budget is expected to be £47m**. This balance represents just over **10% of the net operating budget**.
- 7.9 The overall revenue budget, with each Directorates element expanded, can be found in **Appendix 1**.
- 7.10 Details of all proposed budget changes can be found in **Appendix 3**.
- 7.11 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.

8. Dedicated Schools Grant

- 8.1 The 2021/22 DSG allocation is £513m, an increase of £30m on the comparative figure for the current year (after considering the inclusion of Teacher's Pay and

Pension Grants in the 2021/22 allocation). Schools Forum has agreed that the DSG budget should be set at £513m.

	Schools Block £m	Central Schools Services Block £m	High Needs Block £m	Early Years Block £m	Total DSG £m
DSG Allocation 2021-22 (December 2020)	374.863	5.908	99.241	33.007	513.019
Indicative Allocation (October 2020)	368.613	5.641	98.811	32.601	505.667
Change	6.250	0.267	0.431	0.405	7.352
<i>For info:</i>					
2020-21 Comparative Settlement	353.466	6.454	89.957	32.601	482.478
Change from 2020-21	21.397	(0.546)	9.284	0.405	30.540

- 8.2 Schools Forum has approved the local funding formula for schools in Buckinghamshire, the proposed formula is in line with the National Funding Formula (NFF) for schools. Minimum per pupil funding levels are set as £4,180 for primary schools and £5,415 for secondary schools, in line with national requirements. Most schools will be funded in excess of these minimum levels.
- 8.3 Growth in the high needs block is to support additional demand and complexity in the cost of supporting pupils with Special Educational Needs and Disability (SEND). The high needs block continues to be under pressure.
- 8.4 Reductions in the Central Schools Services Block can be met in 2021-22 without impacting on front line service delivery. Savings proposals will be required for future years in order to meet further reductions in funding for the central block.
- 8.5 The increase in the Early Years block will be passed directly to providers through an increase in the hourly rate paid by the council to early years settings for the free entitlement to early education and childcare for three- and four-year olds and vulnerable two-year olds.

9. Changes to the Draft Capital Programme

- 9.1 The Draft Capital Programme was reviewed by the Budget Scrutiny Committee on 11th January, and one addition has been made following their recommendations.
- 9.2 There have been minimal changes within the Capital Programme since the Draft Programme was approved by Cabinet:
- The addition of the Future High Streets project, which is fully funded by grant;
 - The inclusion of additional elements of the HIF funded Aylesbury Garden Town project;
 - As a result of Scrutiny recommendations an additional £2.0m for drainage schemes has been added in 2021/22. This is funded from uncommitted reserves. When plans are clarified this may result in some budget being moved from capital to revenue budgets;

- Some minor reprofiling of schemes to better reflect realistic delivery plans;
- 9.3 All revenue consequences of the Capital programme have been included in the draft revenue Budget.
- 9.4 The overall Capital programme and each Directorates element of the Programme can be seen in **Appendix 2**.
- 9.5 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 **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.**

10. Fees & Charges

- 10.1 The schedule of Fees & Charges has been developed alongside the budget presented within this report, and changes in income resulting from changes to Fees and Charges have been reflected in the Revenue Budget proposals.
- 10.2 The schedule of proposed Fees and Charges for 2021/22 is included as **Appendix 8**.
- 10.3 **It is recommended that the schedule of Fees and Charges for 2021/22 is 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. Financial Risks

- 12.1 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.
- 12.2 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 Government 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, as well as 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 transient, 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 ongoing 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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12.3 A robust risk management approach will be taken to monitor, manage and mitigate these risks through the delivery of these draft budget plans.

12.4 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.

13. Legal and financial implications

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

13.2 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.

14. Corporate implications

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

15. Consultation and communication

15.1 A public consultation on priorities and budgets was conducted between 1 October and 8 November 2020. The results have been reviewed by Cabinet alongside the draft budget report, and any financial changes resulting from this are included in these budget proposals.

15.2 905 responses were received, including 9 from representatives of organisations.



- 15.3 Further consultation has taken place with the Buckinghamshire Business Group following approval of the draft budget by Cabinet. There was support for the approach taken and the resulting budget. Their full response is available as **Appendix 9**.
- 15.4 The relevant committees have been consulted in setting the budgets and precepts for Special Expenses areas.

16. Next steps and review

- 16.1 The final budget will be presented to the Full Council on 24th February 2021.

17. Background papers

Appendix 1 – Revenue Budget.

Appendix 2 – Capital Programme.

Appendix 3 – Detailed Revenue Budget changes.

[Appendix 4 – Council Tax Resolution. WILL BE AVAILABLE AT COUNCIL.]

Appendix 5 – ‘Special Expenses’ budgets and precept.

Appendix 6 – ‘Special Expenses’ activities.

Appendix 7 – Council Tax Reduction Scheme Policy

Appendix 8 – Schedule of Fees & Charges.

Appendix 9 – Buckinghamshire Business Group budget consultation response.

