



## Report to Council

<b>Date:</b>	<b>24<sup>th</sup> February 2021</b>
<b>Reference number:</b>	N/A
<b>Title:</b>	<b>2021/22 Revenue Budget and Capital Programme</b>
<b>Relevant councillor(s):</b>	Cllr Martin Tett - Leader
<b>Author and/or contact officer:</b>	Richard Ambrose, Service Director – Corporate Finance Matt Strevens, Head of Corporate Finance, ext. 3181
<b>Ward(s) affected:</b>	All
<b>Recommendations:</b>	<b>Council is asked to;</b> <ul style="list-style-type: none"><li>- <b>approve the Revenue Budget and Capital Programme (Appendices 1-3).</b></li><li>- <b>Approve the Council Tax Resolution (Appendix 4).</b></li><li>- <b>approve the ‘Special Expenses’ budgets, precepts and associated services for Aylesbury Town, High Wycombe Town and West Wycombe Church Yard (Appendix 5 &amp; 6).</b></li><li>- <b>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).</b></li><li>- <b>approve the Council Tax Reduction Scheme Policy (Appendix 7).</b></li></ul>
<b>Reason for decision:</b>	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 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.
- 1.5 The revenue budget includes a one-off use of General Fund balances (£2,047k) in order to produce a balanced budget and mitigate financial risks in 2021/22. General Fund balances will be £45m, which is just under 10% of net operating expenditure.
- 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 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 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. Following consultation with the relevant committees 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 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. Central Government Funding**

- 4.1 The Final Local Government Settlement was announced on 4<sup>th</sup> 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. This included additional funding to reflect the ongoing impacts of the Covid-19 pandemic into 2021/22.
- 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 11<sup>th</sup> 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 Additional funding was included within the Local Government Settlement for additional costs associated with the pandemic, and to compensate Councils for the loss of income in local taxation as a result of increases in personal hardship.
- 4.5 The scheme to compensate for 2020/21 lost Council Tax and Business Rates income has been extended until the end of June 2021, and the mechanism of compensation has been clarified. The amount received will not be known until final losses are confirmed in 2021/22, and an estimate of the proportion receivable for losses in 2021/22 is included within this budget.
- 4.6 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 and supports financial sustainability where funding is not certain to continue.
- 4.7 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 2021/22. 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 As a result of the economic changes brought on by the pandemic there has been a reduction in the effective number of Band D equivalent properties in the County as a result of a slowing in new home completions, an increase in the number of claimants of Council Tax reductions, and an expected reduction in the collection rate for Council Tax. This has reduced the baseline for expected Council tax income before the increases above are applied, which sees Council Tax income rise at a slower than expected rate.
- 5.4 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. 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. Details of the proposed 'Special Expenses' budgets and precepts, and the services included within this charge can be found in **Appendices 5 & 6**.
- 5.6 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 The Government has announced that the level of Business Rates will be frozen for 2021/22. The loss of income to the Council resulting from this decision will be compensated for through additional Government grant income.
- 6.2 The budget includes a reduction in the level of Business Rates collectable. This reflects the impact which the Covid-19 pandemic is having on businesses, with an expected increase in business failures, a move away from 'bricks and mortar' business models and increases in appeals and defaults on payments expected in 2021/22.
- 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 Councils Business Rate receipts will 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 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.
- 7.2 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.

- 7.3 The following ongoing impacts will be felt in the short-term, and potentially the medium-term:
- a) 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.
  - b) Rental income from property assets is reduced as businesses suffer from the economic downturn.
  - c) 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.
  - 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 development of this 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.
- 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 The Budget Scrutiny Committee reviewed the draft budget and capital programme over 3 days in the week commencing 11th January.
- 8.2 Since Cabinet had approved the draft budget the third National Local down had been implemented, which 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.
- 8.3 The Committee recommended a number of changes to the budget in order to better reflect the change in direct impacts and the risk within the draft budget proposals.
- 8.4 In response to the third lockdown and the Scrutiny Committee recommendations the final budget includes;

- a) additional funding for Cultural Services,
- b) additional economic uncertainty contingency against further losses of service income / support for outsourced providers income losses, and to manage demand, price and complexity pressures in Children's services,
- c) contingency against losses of property rental income where no government support has been forthcoming and to
- d) contingency for additional member allowance costs if local elections are postponed further.

## **9. Revenue budget 2021/22**

- 9.1 The revenue budget is proposed for one-year only. Whilst setting a one-year budget is not the preferred approach, it reflects the current circumstances. It allows time to understand what the economic and operational environment will be post-Covid, and addresses the uncertainty in the wider Local Government funding environment as a result of delays to the Fair Funding Review, changes to Business Rate Retention, and the continued delay in the publication of the Green Paper on the future of Social Care.
- 9.2 Given these significant and material uncertainties setting a Medium-Term Financial Plan beyond 2021/22 risked making decision without sufficient evidence, and which did not reflect the circumstances of residents and businesses going forward.
- 9.3 The budget includes significant growth in expenditure on both Adults and Children's Social Care as a result of the continuing increases in demand, cost and the complexity of cases in these areas.
- 9.4 In both the Communities and Planning, Growth & Sustainability directorates there are significant losses on service income from areas such as Car Parks, Leisure & recreation facilities and rental income as a result of the changing socio-economic conditions. Whilst these may be temporary this is not yet understood or evidenced.
- 9.5 Revenue funding for drainage works has been increased by £2m in 2021/22 to continue to reduce the risk of surface water flooding. There is also an increase of £2m in the Capital Programme for drainage works, giving a total increase in 2021/22 of £4m.
- 9.6 Contingency budgets, which are used to manage risk and uncertainty in the budget have increased in line with the uncertainties resulting from the pandemic, and one-off funding has been used to create a reserve to further mitigate short-term risks.

- 9.7 Given the significant changes to income and expenditure there is a planned use of £2,047k of General Fund balances to mitigate risks within the budget, including £2.0m for additional drainage maintenance.
- 9.8 The forecast **General Fund balance for the council after the recommendations in the budget is expected to be £45m**. This balance represents just under **10% of the net operating budget**.
- 9.9 The overall revenue budget, with each Directorates element expanded, can be found in **Appendix 1**.
- 9.10 Details of all proposed budget changes can be found in **Appendix 3**.
- 9.11 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.

## **10. The Capital Programme**

- 10.1 During 2020/21 a thorough review of the capital programme was undertaken. This reflected that the existing capital programme had been created by amalgamating the existing plans of the 5 legacy Councils.
- 10.2 This review undertook to review the strategic alignment of all existing projects and to reprioritise the available funding to better meet the ambition of the Council and has resulted in the removal of some schemes which were not yet committed from the programme.
- 10.3 The resulting capital programme sees £569m invested over the 4 years to 2024/25, with £178m of investment in 2021/22.
- 10.4 Key areas of investment within the programme are;
- a) £163m on Schools;
  - b) £135m on Strategic Infrastructure and Highway projects, including Princes Risborough and Aylesbury South Western Link Road;
  - c) £130m on Strategic Highway Maintenance, including £62.4m on the Strategic Highway Maintenance programme, £8.3m for Footways, £17.4m for Plane & Patch and £9.5m for Drainage schemes;
  - d) £50m to support Economic Regeneration;
  - e) £20m on Waste, largely linked to the replacement of Waste vehicles.
  - f) £15m on Leisure Centres, primarily linked to the Chiltern Lifestyle Centre

- 10.5 The Councils authorised borrowing limit currently allows for £100m of additional prudential borrowing should the need arise.
- 10.6 The overall Capital programme and each Directorates element of the Programme can be seen in **Appendix 2**.
- 10.7 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 delegation 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. 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:

Medium-term economic change	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.
Long-term societal change	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.
Complexity and demand in social care	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.
Social Care Provider Failure	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.
Brexit	The impacts of Brexit could be felt through many mechanisms, including but not limited to: <ul style="list-style-type: none"> <li>• Wage inflation in our supply chain due to lack of suitable employees</li> <li>• Loss of knowledgeable staff</li> <li>• Council tax and business rate receipts reductions due to failure / emigration</li> <li>• National tax take reductions requiring greater savings in Local Government</li> <li>• Changes to the level of benefits claimants, and hence increases in Council Tax discounts.</li> </ul>

- 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, 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 8**.
- 15.4 The relevant committees have been consulted in setting the budgets and precepts for Special Expenses areas.

### **16. Background papers**

Appendix 1 – Revenue Budget.

Appendix 2 – Capital Programme.

Appendix 3 – Detailed Revenue Budget changes.

Appendix 4 – Council Tax Resolution.

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.

