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| Report for: | Shadow Executive |
| Meeting Date: | 7th January 2020 |

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| Title of Report: | Draft Revenue Budget and Capital Programme |
| Shadow Portfolio Holder | Martin Tett – Leader |
| Responsible Officer | Richard Ambrose |
| Report Author Officer Contact: | Matt Strevens, mastrevens@buckscc.gov.uk , 01296 383181 |
| Recommendations: | <ul style="list-style-type: none"> • To approve the draft revenue budget and capital programme and the draft Corporate Plan. • To note that a supplementary report, the formal Council Tax Resolution, will accompany the final Budget to Shadow Authority. • To agree the delegation of decisions on Opt to Tax to the S151 officer (see section 9) |
| Corporate Implications: | The Section 151 Officer for the Shadow is required to produce a robust and balanced budget for the council. This report presents the draft budget and capital programme which are balanced across all years. |
| Options: (If any) | N/A |
| Reason: | To approve a draft budget and Corporate Plan that can then undergo scrutiny and challenge prior to the final budget for Buckinghamshire Council being approved by the Shadow Authority on the 27 th February 2020. |

1. Purpose of Report

- 1.1 This report sets out the draft revenue budget and capital programme for Buckinghamshire Council.
- 1.2 This includes updates on the latest estimated funding position, service budget pressures and the key financial risks facing the Council in the future, along with a copy of the draft Corporate Plan.
- 1.3 The Council Tax Resolution report will accompany this report and contain the final information from the other precepting authorities leading to the total Council Tax for the area, which the Shadow Authority is required to approve. This report will include special expenses where relevant. The budget has been prepared on the assumption that the current arrangements for special expenses will continue.

2. Summary

- 2.1 The draft revenue budget and capital programme are the first financial plans for the new Buckinghamshire Council. As such they reflect the efforts of officers and members across all five councils to create new plans for the new Council.
- 2.2 The creation of the new Council required a thorough review of both the Corporate Plan and the budget plans which support its delivery. This revenue budget and capital programme represents the initial steps in delivering a revised vision for public services and investment in Buckinghamshire.
- 2.3 At a time where it is nationally recognised that there are significant budget pressures across all tiers of Local Government, whether from Social Care demand and cost pressures or from increases in homelessness, the starting position was that the five predecessor councils are coming together with approved plans for the period up to 2022/23 but that these will need to be continually reviewed, including post vesting day.
- 2.4 The draft revenue and capital budget plans presented within this report are built on that foundation, whilst aiming to address the unavoidable cost pressures the council faces. The revenue budget includes the delivery of the first tranche of savings from the efficiencies arising from the move to a single council for Buckinghamshire.

3. The Corporate Plan

- 3.1 The Corporate Plan (attached at **Appendix 1**) will be the new Council's main strategic business planning document, establishing a golden thread between the Council's priorities, as set out by elected members, and the activities and budgets to deliver the organisation's agreed outcomes. As a public document, the Corporate Plan will also help communicate to staff, partners and residents, a clear narrative of strategic intent.
- 3.2 Building upon existing best practice in Buckinghamshire, and using the previous five council's corporate plans as a solid foundation, the proposed Corporate Plan was developed alongside budget proposals and through a process of widespread engagement and consultation with members, officers, the public, partners and other stakeholders.
- 3.3 The Corporate Plan sets out what we want to achieve and how we will do it, addressing the challenges we face and harnessing opportunities as they present themselves, while the budget proposals set out how we will resource this in a robust and prudent manner.
- 3.4 Work will continue on completing, improving and refining the Corporate Plan before presentation with the final budget.

4. Spending Round 2019 and the Local Government Finance Settlement

- 4.1 The Government's Spending Round 2019 included some significant spending announcements of interest to Local Government. Key to these were:
 - An additional £1bn for Adults & Children's Social Care in 2020/21;
 - The continuation of the Adult Social Care Precept in 2020/21;
 - A 3.4% increase in the Better Care Fund, aligned to the NHS Settlement;
 - An additional £7.1bn for Schools by 2022/23;
 - Schools per pupil funding to increase by inflation;
 - An extra £700m for High Needs pupils in 2020/21;
 - An additional £54m in 2020/21 to address Homelessness;
 - Continuation of the Troubled Families programme;
 - A real terms increase in the Public Health grant.

- 4.2 Estimates of the impact of these announcements on the Council's funding have been included in the draft Revenue Budget. Many of these announcements are guaranteed for one year only, and in line with good financial management these are only being used for one-off investment, including the costs of change.
- 4.3 Since the Spending Round announcements were largely only for 2020/21 there remains uncertainty over future funding levels.
- 4.4 Further clarity on the local impact of these announcements is expected as part of the Provisional Local Government Finance Settlement, which is expected either just before Christmas or early in 2020.
- 4.5 The Final Local Government Finance Settlement, expected in early February, will confirm these funding figures.
- 4.6 In addition it has been announced that there will be a 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 on Social Care. These initiatives may have significant impacts on the Council when they are brought forward.

5. Developing the budget proposals

- 5.1 The budget proposals contained within this report have been developed alongside, and with reference to, the developing Corporate Plan for the new Council.
- 5.2 The starting point for developing these financial plans was the consolidation of the five predecessor council's existing revenue budgets and capital programme.
- 5.3 Since all predecessor Councils had plans for both capital and revenue which ran to at least 2022/23, it was agreed to prepare new budgets to this date.
- 5.4 Each Shadow Portfolio Holder for the new Council has been supported by officers across the five councils to produce the draft revenue budget and capital programme proposals which support the Corporate Plan.
- 5.5 These proposals have been reviewed by both the Officer and Member groups of the Shadow Authority to ensure they are robust, deliverable, reflective of the Corporate Plan, and ensure the financial sustainability of the Council.
- 5.6 The robustness of existing and new budget proposals will continue to be monitored, and any amendments required will be reflected in the final budget, to ensure that the budget remains robust and appropriate.

6. The Draft Revenue Budget

- 6.1 The starting point for the Revenue Budget was the amalgamation of the existing plans agreed by each of the councils in February 2019. All of these plans ran until at least 2022/23, so it was proposed that the first budget for Buckinghamshire Council would be for the three years to 2022/23.
- 6.2 Whilst there remains uncertainty over the Local Government Settlement, the current revenue proposals balance.
- 6.3 The overall revenue budget, with each portfolio's element expanded, can be found in **Appendix 2**.
- 6.4 The key expenditure changes in the consolidated budgets are:
 - Additional investment in both Adults and Children's Social Care budgets to address the continued increases in demand, cost and the complexity of the cases managed:

- The extension of current highways and footways programmes and also the continuation and expansion of the current additional works to drainage and weed treatment that was put in place by the former County Council;
- Investment in new Community Boards to ensure the Council is close to residents and able to understand and respond to local needs;
- The delivery of the first tranche of savings from the creation of Buckinghamshire Council, which supports the investments above;
- One-off investments in services to ensure they are fit for the future.

6.5 Details of all proposed budget changes can be found in **Appendix 4**.

6.6 It is proposed to **increase Council Tax by 1.99%**. An approach to harmonising Council Tax has been proposed, and whilst this may result in different increases in each area in 2020/21, it will mean that all residents pay the same Council Tax for each band across the county. It is assumed that the Secretary of State will announce that the Council Tax Referendum threshold will be 2%.

6.7 In addition an **Adult Social Care Precept of 2%** will be levied. In line with Government requirements this additional funding is all allocated to Adult Social Care budgets.

6.8 Within the draft budget are contingency budgets, which are held both to mitigate future budget risks, and to fund future pay increases and increases in pension contributions following the triennial pension revaluation.

6.9 The opening **General Fund balance for the council is expected to be £45.1m**, dependent on the financial performance of the predecessor councils in 2019/20. This represents **10.4% of the net operating budget**.

6.10 The savings expected from the creation of the new Council have been allocated to Portfolios in 2020/21. Savings for 2021/22 and 2022/23 are currently held corporately and will be allocated to Portfolios as proposals are agreed.

6.11 Plans for delivery of the full savings target will be discussed and developed.

6.12 In future budgets all savings expected from the creation of the new Council will be fully allocated to portfolios over the planning period.

7. The Draft Capital Programme

7.1 The starting point for the Capital Programme was the amalgamation of the existing programmes agreed by each of the councils in February 2019. All these programmes ran until at least 2022/23, so it was agreed that the first capital programme for Buckinghamshire Council would provide details for those three years.

7.2 The capital resources available have been reviewed and updated in line with latest expectations. The overall Capital programme and each portfolio's element of the Programme can be seen in **Appendix 3**.

7.3 The proposed Capital Programme is ambitious, both in scale and scope. There is a particular focus on Economic Regeneration.

7.4 Key projects within the draft programme are:

- £111m to support Economic Regeneration in Aylesbury and Wycombe;
- £107m on schools, including the new Kingsbrook Secondary School;
- £69m on Strategic Highways maintenance including an additional £4m on Highways Plane & Patch and £1m on Footways for 2020/21, following the Spending Round announcement;
- £62m on Strategic Infrastructure including Housing Infrastructure Fund marginal viability funded schemes in Princes Risborough, Abbey Barn and the Aylesbury Link Roads;

- £20m investment in Leisure Centres primarily linked to the Chiltern Lifestyle Centre (total £36m) where construction commences in 2019/20;
- £14m investment in Waste for the fleet to deliver the new Southern Waste Contract;
- £18.3m to support Housing and Homelessness including affordable Housing action plans and disabled facilities grants.

7.5 This ambitious programme represents an overall budget framework for delivery for the new Council. Work will continue around the affordability and prioritisation of schemes within the programme, including appropriate profiling.

7.6 All revenue consequences of the Capital programme have been included in the draft revenue Budget.

7.7 A full review of Capital plans will be undertaken early in 2020/21 by the Council.

8. Financial Risks

8.1 Whilst every effort is made to ensure the budget proposals are robust, deliverable and support financial sustainability there continues to be uncertainty in both the wider political and economic environment and in local supply and demand factors.

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

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| Complexity and increasing demand in social care, homelessness and home to school transportation services | Social care and transportation budgets are both subject to significant variations in terms of both demand and complexity. Whilst efforts are made to predict these, they remain volatile. |
| Social Care Funding and Policy | We are still awaiting Government policy on the future of Social Care. This is an area of significant budgetary pressure for authorities providing care services. Unless fully funded, any future policy changes could place significant financial burdens on the Council. |
| 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 arrangements for the continuity of care in the event that a social care provider closes. This remains a risk, which is potentially compounded by other matters, such as Brexit. |
| Changes to the Local Government funding system | The outcome of the General Election is likely to massively influence the future overall funding level of local authorities, including how that funding is then allocated, as the Government then put in place its manifesto pledges. A longer term Spending Review is expected to take place in 2020. Furthermore, the Fair Funding Review is expected to be implemented for 2021/22 with the intention of producing a more transparent model that better aligns funding and need across all authorities. When implemented it could result in significant change to the |

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| | allocations assumed within our budget. Furthermore, 75% Business Rates Retention, due to now commence in 2021, would bring opportunities although this also brings risks, especially at a time when the retail sector is struggling. |
| Emerging pressures from creation of a new authority | There are likely to be many currently unknown financial pressures that will emerge as the new authority begins life and teams come together. Reviews of services and the budgets associated with them will be carried out in 2020/21 to ensure that priorities are deliverable within the approved budgets. |
| 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. This is exacerbated by the level of change activity in creating the new Council, and the potential that key staff will be lost during the transition. |
| Recruitment conditions | The legacy authorities are experiencing difficulties in permanent recruitment, in line with many other authorities. In particular, within the areas of Social Care and Planning. Agency levels in these areas are already high and there are risks that these levels could continue to increase. |
| Capital funding | There is significant funding from developer contributions in the capital programme. Both the level and timing of these contributions are uncertain and present risks to delivering the programme. A number of schemes may be committed in advance of the actual level of developer contributions being finalised. |
| 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. This risk is partly 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 |

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| | <p>savings in Local Government</p> <ul style="list-style-type: none"> • Changes to the level of benefits claimants, and hence increases in Council Tax discounts. |
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- 8.3 A robust risk management approach will be taken to monitor, manage and mitigate these risks through the delivery of these draft budget plans.
- 8.4 Whilst the revenue budget proposals within this report include contingencies against the high risk areas, especially Social Care, our General Fund (non allocated) balances are also at a reasonable level. Close management of these risks is required to ensure the sustainability of the Council.

9. Other matters – Opting to Tax

- 9.1 As a consequence of the creation of the new Council, decisions are required on ‘Opting to Tax’ Land and Building.
- 9.2 Opting to Tax provides the Council with the ability to recover more VAT than it would otherwise be able to and, as such, is a tax efficient way of benefitting Council Tax payers. All existing Councils have opted to tax many or all of the land and building that they rent out to tenants for this reason. However, the existing Options to Tax do not automatically transfer and new decisions are required.
- 9.3 It is **recommended that all decisions on Opting to Tax be delegated to the S151 Officer**, as it is not currently delegated in the Shadow Constitution. Without this delegation a formal decision would be required by the Shadow Executive.

10. Financial Implications

- 10.1 The nature of this report is largely financial, and as such the whole report is about the financial implications for Buckinghamshire Council.

11. Legal Implications

- 11.1 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.

12. Other Key Risks

- 12.1 Key risks are covered within the body of this report.

13. Dependencies

- 13.1 The revenue budget and capital programme are in essence the financial expression of the Corporate Plan. As this plan evolves the content of these may be required to change as a consequence. The MTFP shows financial planning for 3 years to cover the move to the unitary council. In the first year of the new council the MTFP will be reviewed with a view to extending it in the future. In particular, looking to develop a longer term capital financial planning horizon.



14. Consultation

- 14.1 A public consultation on priorities and budgets was conducted earlier in the year, which ended on 25 November. A summary of the results of this can be found as **Appendix 5** to this report.
- 14.2 There was strong support among residents and organisations in Buckinghamshire for the proposed overall priorities for the new Council. There were mixed views on the proposed spending allocation; among residents, roads and services/support for vulnerable adults and older people were high priorities for improvement (these views reflect results from previous budget consultations); among organisations, the top areas to prioritise for improvement were services and support for vulnerable groups, including older and younger people, and protecting the environment (e.g. green spaces and renewable energy).
- 14.3 The draft Corporate Plan has been revised to reflect the sub-priorities which respondents felt to be most important to them; similarly, the draft revenue and capital programmes reflect people's views, including the additional investment in highways programmes and the Adults and Children's Social Care budgets, as set out earlier in this report.

15. Equalities Implications

- 15.1 Equalities impact screening will be undertaken for all significant new proposals within the budget, and full Equality Impact Assessments will be produced where this is deemed necessary.

16. Next Steps

- 16.1 Over the course of three days in mid-January the Shadow Overview and Scrutiny Committee - Budget Task and Finish Group will review and challenge the budget proposals made by each Shadow Portfolio Holder, and make recommendations on potential changes to the budget.
- 16.2 Following the announcement of the Provisional and Final Local Government Settlements, the implications of these announcements will be considered and amendments may be required to the draft budget. Options will be discussed and agreed by officers and members and any changes presented as part of the final budget.
- 16.3 The final budget and Corporate Plan will be presented to the Shadow Executive on 18 February 2020, and then the Shadow Authority on 27 February 2020.

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| Background Papers | Appendix 1 – Corporate Plan Appendix 2 - Draft Revenue Budget Appendix 3 – Draft Capital Programme Appendix 4 – Detailed Revenue Budget Changes Appendix 5 – Priorities and Budget Consultation Report |
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