



Report to Cabinet

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| Date: | 14th February 2023 |
| Title: | Medium Term Financial Plan 2023/24 and Capital Programme 2023/24 to 2026/27 |
| Relevant councillor(s): | Cllr Martin Tett - Leader |
| Author and/or contact officer: | Dave Skinner, Service Director – 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 8.6).- approve the Council Tax Reduction Scheme Policy (appendix 7).- 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. |

1. Executive summary

- 1.1 The budget presented for approval reflects the Councils desire to deliver it's corporate objectives, maintain front-line services and support residents and businesses through the Cost of Living crisis. The budget has evolved and been updated during its development to reflect the changing economic environment, especially the exceptionally high levels of inflation and the increasing demand experienced within our services.
- 1.2 Whilst the Provisional Local Government Settlement has provided additional funding to the Council it remains insufficient to fund the level of inflation and growth forecast for 2023/24.
- 1.3 The Final Local Government Finance Settlement is expected to be announced in February 2022 (after paper deadline). There are not expected to be any changes from the figures published in the Provisional Settlement which form part of these budget proposals.
- 1.4 Changes from the draft revenue budget are minimal and largely reflect additional Government Grant announcements.
- 1.5 Overall, the final revenue budget proposals include unavoidable growth of **£33.3m**, Inflation of **£30.0m**, savings of **£10.1m**, and income changes of **£20.3m** in 2023/24.
- 1.6 The budget proposed is built on the proposed Council Tax base and includes increasing Council Tax by the Referendum threshold limits of a 2.99% increase in basic Council Tax and a 2% increase for the Adult Social Care Precept, giving a total increase of 4.99%. This is required to maintain levels of service as much as possible in the current economic climate.
- 1.7 The budget continues to include the use of £1.36m of General Fund in 2023/24, as originally approved as part of the Medium-Term Plan approved at Council in February 2022.
- 1.8 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 case, subject to due diligence and final Cabinet approval.

2. Content of this report

- 2.1 This report sets out a 1 year revenue budget for 2023/24 and 4-year capital programme for Buckinghamshire Council covering the period to 2026/27.

- 2.2 These proposals are based on the latest known funding position, service budget pressures and the key financial risks facing the Council both now and in the future. They also take 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. 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 will be reviewed in light of the proposed budget and any refresh of the Plan will follow later in the year. The Corporate Plan sets out what the Council wants to achieve and how it will do it, addressing the challenges we face and harnessing opportunities.

4. Local Government Funding

- 4.1 On 17th November the Chancellor presented his Autumn Statement. This statement recognised the impact of the cost of living crisis on the economy, and the levels of Public Sector Debt which had been incurred in funding the Government's support and intervention responses to both the cost of living crisis and the Covid-19 pandemic. Due to the high levels of this debt the wider public finances have been subject to significant interest rate increases and are subject to ongoing interest rate risk. The immediate impact of interest rate increases has led to a revised set of fiscal rules under which the Autumn Statement operates, and this risk could impact further on the future funding for public services.
- 4.2 The Provisional Local Government Settlement was published on 19th December and set out the individual funding allocations for Councils from the announcements

made in the Autumn Statement. This was again a 1 year settlement, which allied with the current economic uncertainties does not provide sufficient certainty for robust and reliable financial planning beyond the coming year.

- 4.3 The Provisional Settlement was in line with the assumptions made as to the likely funding allocations the Council would receive based on the Autumn Statement announcements and has not resulting in any additional savings requirements.
- 4.4 Prior to the Provisional Settlement the Government issued a Local Government Finance Policy Statement on 12th December 2022, intended to provide more clarity in terms of their approach to the Local Government Settlement for 2024/25. The primary areas of clarity given were;
 - a) Confirming that the Council Tax referendum thresholds for 2024/25 will be 3% for basic Council Tax and 2% for the Adult Social Care precept;
 - b) The continuation of the 2023/24 approach to the calculation of the Local Government Settlement;
 - c) Potential additional future funding from 2024/25, with potentially additional costs arising from the planned Extended Producer Responsibility for Packaging (pERP) scheme .
- 4.5 Whilst the Provisional Settlement appears to include welcome and expected increases in funding for Local Government above previous levels, the quantum added is not likely to be sufficient to address either the current high levels of inflation (circa 10%) or the broadly recognised levels of underfunding and increasing demand which currently exist.
- 4.6 The Final Local Government Finance Settlement is expected to be announced in early February. There are not expected to be any changes from the figures published in the Provisional Settlement which form part of these budget proposals.

5. Council Tax

- 5.1 The Secretary of State announced that the Council Tax Referendum threshold will be 3% for 2023/24.
- 5.2 In addition, there is the ability to levy an Adult Social Care Precept of up to 2%.
- 5.3 The budget proposed includes **an increase of 4.99% in the Average Band D Council Tax**. This comprises a 2.99% increase in the basic element of Council Tax and a 2% increase in the Adult Social Care precept.
- 5.4 The proposals within the budget support maintaining services in the face of increased demand, lost income, and exceptionally high levels of inflation whilst remaining within the referendum threshold.

- 5.5 The Council Tax Resolution, which agrees the levels of Council Tax for the Council and all preceptors, will be presented to Council for approval.
- 5.6 In Aylesbury Town, High Wycombe Town and West Wycombe Church Yard there are 'Special Expense' 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. Details of the proposed 'Special Expenses' budgets and precepts, and the services included within this charge can be found in **Appendices 5 & 6**.
- 5.7 The charge for Special Expenses forms part of the calculation of the Council Tax referendum threshold. The proposals presented include increases to these charges, which impact the actual values for Buckinghamshire Council on all Council Tax bills. As such increases on bills will not reflect headline percentage increases.
- 5.8 The Council Tax Reductions (CTR) Scheme Policy is changed compared to last year as it includes the discretionary element of the Council Tax Reduction Scheme related to the Government's Cost of Living package as well as the usual updating of 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 (see **Appendix 7**). It is recommended the Council Tax Reductions Scheme Policy be approved.

6. Changes from the Draft Revenue Budget

- 6.1 Since the Draft budget was agreed by Cabinet on 5th January 2023 work has continued to refine proposals, and to check and challenge and update underlying assumptions.
- 6.2 The Provisional Local Government Settlement was announced too late for inclusion in the draft budget, and a number of other ring-fenced grants have been announced since the Draft Budget was agreed. These changes have not significantly changed the draft budget. A number of grants are yet to be announced and as such the budget proposals include latest estimates of likely funding levels.
- 6.3 The Budget Scrutiny Inquiry Task and Finish Group made a total of nine recommendations. Of these seven have potential implications for the Revenue budget. Five of the recommendations have been agreed, with the remaining two being agreed in part. Whilst the recommendations were agreed they relate to the risk management approach within the budget and the development of future strategies and approaches. As such these recommendations have not resulted in any changes to the 2023/24 revenue budget presented for approval, but future strategies and approaches will be developed and considered for inclusion in future years budgets.

- 6.4 Changes to the draft budget outside the Provisional Settlement include an increase in Council Tax receipts based on the Council Tax base approved on 5th January, an increase in interest receivable based on latest projections of interest rates and a number of ring-fenced grant announcements. The gain resulting from these changes has allowed the addition of £1.0m to reserve balances in 2023/24.
- 6.5 The impact of the changes proposed since the Draft Budget is shown in the table below:

| Portfolio | Reason for change | Change to 2023/24 Budget £000's |
|--------------------------------------|---|------------------------------------|
| PROVISIONAL SETTLEMENT | | |
| Funding | Provisional Settlement | 30 |
| OTHER CORPORATE CHANGES | | |
| Council Tax | Increased Council Tax Base agreed | - 976 |
| Corporate Costs | Interest on Balances | - 1,000 |
| Corporate Costs | Remove use of General Fund | 1,362 |
| Corporate Costs | Add movement in budget to contingency | 584 |
| PORTFOLIO GRANT ANNOUNCEMENTS | | |
| Education & Children's Services | DSG / School grant income | - 43,012 |
| Education & Children's Services | DSG / School expenditure | 43,012 |
| Homelessness & Regulatory Services | Homelessness Prevention Grant income | 140 |
| Homelessness & Regulatory Services | Homelessness Prevention Grant expenditure | - 140 |
| Health & Wellbeing | Domestic Abuse Grant income | - 17 |
| Health & Wellbeing | Domestic Abuse Grant Expenditure | 17 |

- 6.6 In total these changes have no net impact on the overall budget position.
- 6.7 The forecast **General Fund balance for the Council after the recommendations in the budget is expected to be approximately 9.5% of the net operating budget at the end of 2023/24** (depending on the final outturn for 2022/23).
- 6.8 The overall revenue budget, with each Portfolio element expanded, can be found in **Appendix 1**.
- 6.9 Details of all proposed budget changes can be found in **Appendix 3**.

7. Dedicated Schools Grant (DSG)

- 7.1 The 2023-24 DSG allocation is £579.4m before recoupment for academies. This is an increase of £29.1m on the comparative 2022-23 total DSG.

| | Schools Block | Central Schools Services Block | High Needs Block | Early Years Block | Total DSG | Mainstream Schools Additional Grant (MSAG) | Total Schools Budget 2023-24 |
|---|----------------|--------------------------------|------------------|-------------------|----------------|--|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| DSG Allocation 203-24 (Dec 2022) | 413,865 | 4,935 | 123,542 | 37,070 | 579,411 | 13,956 | 593,367 |
| Indicative Allocation (October 2022) | 403,492 | 4,887 | 117,719 | 34,579 | 560,676 | - | 560,676 |
| Change | 10,373 | 47 | 5,823 | 2,491 | 18,734 | 13,956 | 32,691 |
| <i>For info:</i> | | | | | | | |
| 2022-23 Settlement (including supplementary grants) | 398,402 | 5,295 | 112,080 | 34,579 | 550,355 | - | 550,355 |
| Change from 2022-23 | 15,463 | (361) | 11,462 | 2,491 | 29,056 | 13,956 | 43,012 |

- 7.1 In the settlement announcement on 16th December the government also announced a further Mainstream Schools Additional Grant (MSAG) for 2023-24. The indicative allocation for Buckinghamshire is £14.0m. The total schools budget allocation for 2023-24 is therefore £593.4m, an increase of £43m in total funding compared with 2022-23.
- 7.2 Schools Forum has considered the local funding formula for schools in Buckinghamshire and recommends that the proposed formula continues to be in line with the National Funding Formula (NFF) for schools. Due to affordability of the overall formula, funding factors for 2023-24 are calculated at 99.89% of the published NFF values. Minimum per pupil funding levels have been set at £4,405 for primary schools and £5,715 for secondary schools, in line with national requirements. The majority of schools will be funded in excess of these minimum levels. 23 schools will be protected through the Minimum Funding Guarantee (MFG) and 24 schools will have their gains capped at 6.17% to fund the costs of MFG protection.
- 7.3 There are no proposals to move funding between DSG blocks.
- 7.4 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 DSG deficit is projected to be £3.3m at the end of the current financial year, a reduction of £0.3m compared with the previous year.
- 7.5 Reductions in the Central Schools Services Block can be met in 2023-24 from previously agreed savings plans. Funding for the central block will reduce year on year, savings for 2023-24 and 2024-25 have been agreed through the existing MTFP.
- 7.6 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 and through increases to the contingency and inclusion budgets.

8. Changes to the Draft Capital Programme

- 8.1 The Draft Capital Programme was reviewed by the Budget Scrutiny Committee alongside the Revenue Medium Term Financial Plan.
- 8.2 There have been minimal changes within the Capital Programme since the Draft Programme was approved by Cabinet:
- Reprofiting of projected expenditure to reflect the most likely timing of delivery of the projects. This has largely pushed expenditure back within the programme;
 - Extension of the Pot-hole grant into 2025/26 and 2026/27, reducing the need to use reserves. This will need to be reviewed in light of any announcements from the Department for Transport.
- 8.3 The Budget Scrutiny Inquiry Task and Finish Group made six recommendations which relate to the proposed Capital Programme. Five were agreed, and one agreed in part. The proposals related to the management of risk, and the development of approaches, strategies and potential future projects. As such there were no discrete projects which could be quantified or added to the programme, however as these projects and approaches develop they may lead to additions to the programme in the future.
- 8.4 All revenue consequences of the Capital programme have been included in the draft revenue Budget.
- 8.5 The overall Capital programme and each Directorates element of the Programme can be seen in **Appendix 2**.
- 8.6 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.**

9. Fees & Charges

- 9.1 Fees and charges for 2023/24 were agreed by Cabinet on 5th January, and the impact on the budget of the charges is included in these budget proposals.

10. Council Tax Reduction Scheme Policy

- 10.1 The Council Tax Reduction Scheme Policy requires approval on an annual basis.
- 10.2 The scheme in respect of pension age applicants is updated annually reflecting the changes made by Central Government. Buckinghamshire Council's Local Council Tax

Reduction Scheme (LCTRS) includes an additional appendix, detailing arrangements named by Central Government as the ‘Council Tax Support Fund’ and is designed to meet the immediate needs of all taxpayers who are currently claiming Council Tax Reduction. The mandatory element is to award all recipients of Council Tax Reduction (both working age and pension age) with a further reduction in their annual council tax bill of up to £25. This reduction will apply to all Council Tax Reduction recipients who have an outstanding liability for the 2023-24 financial year. Discretion is sought to continue to make similar discretionary payments to all applicants who become eligible for Council Tax Reduction for the first time after 1 April 2023, particularly those facing hardship under section 13a 1 (a) Local Government Finance Act 1992. The updated policy is available as **Appendix 7**.

10.3 **It is recommended that the Council Tax Reduction Scheme Policy be approved.**

11. Financial Risks

11.1 Whilst every effort is made to ensure the budget proposals are robust, deliverable and support financial sustainability there are significant risks and assumptions within the budget proposals presented.

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

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| <p>Inflation and national economic conditions</p> | <p>Global economic instability, along with supply chain interruptions are continuing to impact on inflation levels within the UK economy, which are currently above 10%. This will impact both in terms of pay pressures and the costs of our supply chain. Whilst Covid-19 related factors are diminishing, the impact of the cost of living crisis, geo-political tensions and conflict are significant and uncertain. As such forecasts are that inflation will return to more normal levels, but the longevity and voracity of these impacts is uncertain.</p> <p>Given the response to inflation has been to increase interest rates, it is forecast by the Office for Budget Responsibility that the United Kingdom will enter a period of recession for approximately 2 years. This may impact both costs through increased demand for services and funding through reductions in local tax receipts.</p> |
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| <p>Central Government funding</p> | <p>The Covid-19 pandemic and support for the Cost-of-Living crisis has left the Government with unprecedented levels of debt, and with interest rates rising the Government will have to take decisions to balance the national budget. This may result in reductions to funding available to the Council over the medium-term.</p> <p>The Government has long promised to reform the allocation of funding to Local Authorities. This is now expected to be enacted from 2024/25 at the earliest. Changes to this methodology could have a negative impact on the funding for the Council if our calculated level of need, and hence future funding allocation reduces significantly.</p> <p>The ‘Levelling Up’ agenda has the intention of reducing regional disparities. Without additional funding to raise the level of funding for higher need areas there is likely to be a movement of funding from ‘better’ funded areas to those with ‘greater’ need. This is likely to see funding moved from the South East to those areas assessed as higher need.</p> <p>A number of assumptions relating to grant funding remain in the 2023/24 budget as grant announcements have yet to be made.</p> |
| <p>Geo-political tensions</p> | <p>The current level of political tension across the globe is interrupting supply chains, contributing to the current high levels of inflation, and creating additional burdens on nation states through increased costs in supporting friendly nations in conflicts and through support to those displaced by conflict. The uncertainty and global impact of these tensions and conflicts means that future inflation forecasts and costs of further support are potentially very unpredictable.</p> |
| <p>Complexity and demand in Social Care, Client Transport and Temporary Accommodation</p> | <p>Social care, Client Transport and Temporary Accommodation budgets remain subject to significant variations in terms of both demand and inflation.</p> <p>In Social care increasing demand is being exacerbated by the pressure on hospitals to discharge patients to</p> |



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| | <p>free bed-space, which is seeing clients leave hospital with higher needs than in normal times.</p> <p>Increasing client numbers in Social care and in SEND provision continues to place additional pressures on the provision of Transport for these groups.</p> <p>Demand for Temporary Accommodation is increasing in response to both household breakdown and for displaced persons. This increased demand is placing pressures on the availability of placements, which is likely to increase costs.</p> <p>Whilst all reasonable efforts have been made to predict these pressures based on information available estimates remain volatile and uncertain.</p> |
| Social Care Provider market & Care Reforms | <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. Although the reforms are now delayed the move to a Fair Cost of Care has seen an increase in fees, however market sustainability remains a concern.</p> <p>In Children's Social Care the national market has become sub-optimal, with demand significantly outpacing supply. This has contributed significantly to increasing placement costs in the current year. Whilst these are expected to continue in the short-term, this draft budget assumes a partial rebalancing of supply and demand in the medium-term.</p> |
| The Covid-19 pandemic | <p>The Covid-19 pandemic continues to present a risk to the Council's budgets. Whilst this risk has reduced significantly from previous years, the global nature of the economy means that the council is still exposed to the impacts of Covid outbreaks around the world.</p> <p>In addition new changes to demand for services are continuing to arise as a consequence of the pandemic.</p> |
| Long-term societal change | <p>The pandemic required immediate changes to the way we all live our lives. Whilst some of these were short-lived, others persist as both businesses and individuals consider how they live and work in the future. The</p> |



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| | medium-term impacts on local economic activity are still evolving. |
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- 11.3 A robust risk management approach will be taken to monitor, manage and mitigate these risks through the delivery of these budget plans.
- 11.4 Whilst the revenue budget proposals within this report include 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 and provide a strong buffer against unexpected events. Close management of these risks is required to ensure the sustainability of the Council.
- 11.5 On an annual basis the Chartered Institute of Public Finance and Accountancy (CIPFA) publish a resilience index, which allows Local Authorities to assess and compare their financial resilience against a number of measures covering Reserves, funding risk, and exposure to Social Care demand risk. The latest data has been reviewed and the Council falls into the lower half of the risk assessment for all measures. Further work is required to gain a more rounded understanding of this data, which will support the production of the Chief Finance Officers (s.151) report to Council into the robustness of the budget and the ongoing financial sustainability of the Council.

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 under the Localism Act 2011 to set a council tax requirement for the authority. This report provides information which, when taken together with the previous reports provided to Cabinet, will lead to the council tax requirement being agreed in February 2023, together with a budget for 2023/24 and a four-year Capital Programme.
- 12.3 The Council is required to set a balanced budget taking account of balances and any other available reserves before the commencement of the financial year to which it relates. The Local Government Act 2000 states that it is the responsibility of the Full Council, on the recommendation of the Cabinet, to approve the budget and related council tax requirement.
- 13.4 The Council has a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of the Council Tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with

statutory duties and exercising statutory powers. 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. An over-arching Equalities impact screening has been produced for this budget (Appendix 9), and individual assessments will be undertaken at an appropriate time for all significant new proposals within the budget. Full Equality Impact Assessments will be produced as projects are fully developed and where this is deemed necessary.

14. Consultation and communication

- 14.1 A public consultation on priorities and budgets was conducted between 12 October and 20 November 2022. The results have been reviewed by Cabinet alongside the draft budget report.
- 14.2 The response this year was a significant improvement over last year, with 1,805 responses received, and 1,797 of these responses being from residents.
- 14.3 For residents, care and support services for older people and vulnerable adults, road maintenance and educational services such as childcare, pre-schools and school admissions were selected by the highest proportion of respondents. These views reflect results from previous budget consultations. When asked to choose services that should not be prioritised, car parking, culture and tourism, and Public Health services were selected by the highest number of respondents. When asked to suggest other priorities to consider, the most frequently mentioned themes related to roads and pavement repair and maintenance, road infrastructure and housing.
- 14.4 Organisations' ranked priorities were similar to residents', but they placed higher priority on services to attract and support local businesses and community safety. Similarly, the services they would least like to prioritise included culture and tourism, maintaining Rights of Way, and planning services.
- 14.5 There were mixed views towards the proposed allocation of Buckinghamshire Council's annual budget for 2023-2024 from both residents and organisations, with stronger agreement (34%) than disagreement (30%).

14.6 Further consultation has taken place with the Buckinghamshire Business Group on the 2nd February 2023 following approval of the draft budget by Cabinet. There was general support for the approach taken and the resulting budget. Their response is available as **Appendix 8**.

15. Next steps and review

15.1 The final budget will be presented to the Full Council on 22nd February 2023.

16. 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 – Buckinghamshire Business Group budget consultation response.

Appendix 9 – Overall Equalities Impact Assessment

