

Report for:	<b>Shadow Executive</b>
Meeting Date:	<b>18 February 2020</b>

<b>Title of Report:</b>	<b>Revenue Budget and Capital Programme 2020-2023</b>
Shadow Portfolio Holder	Martin Tett – Leader
Responsible Officer	Richard Ambrose – S151 Officer
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<b>Recommendations:</b>	<ul style="list-style-type: none"> <li>• <b>To approve the revenue budget and capital programme (Appendices 1-3).</b></li> <li>• <b>To approve the updated Schedule of Fees and Charges (Appendix 4).</b></li> <li>• <b>To delegate any further required changes to the Schedule of Fees and Charges to the S151 Officer, in consultation with the Leader, during the period post final budget up to 31<sup>st</sup> March 2020.</b></li> <li>• <b>To agree the delegation of decisions to add up to £100m to the Capital programme, to be funded by Prudential Borrowing, to the Cabinet (see section 9.10).</b></li> <li>• <b>To agree the delegation of decisions to add projects relating to the current HIF bids to the capital programme to the Cabinet (see section 9.11).</b></li> <li>• <b>To approve the ‘Special Expenses’ budgets and precept for Aylesbury Town, High Wycombe Town and West Wycombe Church Yard (Appendix 5 &amp; 6).</b></li> </ul>
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 budget and capital programme which are balanced across all years.
Options: (If any)	N/A
Reason:	To set a safe and legal revenue budget and capital programme for Buckinghamshire Council within the prescribed timeframe.




## **1. Purpose of Report**

- 1.1 This report sets out the proposed revenue budget and capital programme for Buckinghamshire Council (Appendices 1-3).
- 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 the proposed Fees & Charges for the Council (Appendix 4).
- 1.3 This report includes budgets and services funded by special expenses where relevant (see Appendices 5 and 6).
- 1.4 The Council Tax Resolution which contains the final information from the other precepting authorities leading to the total Council Tax for the area will be presented to the Shadow Authority for approval on 27<sup>th</sup> February.

## **2. Summary**

- 2.1 The 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 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 is the 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 organisations 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.
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## **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 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 Details of the local impact of these announcements were received as part of the Provisional Local Government Finance Settlement, published on 20 December 2019.
- 4.5 The Final Local Government Finance Settlement, published on 06 February 2020, confirmed 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 the 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 are expected to have significant impacts on the Council when they are brought forward.

## **5. Developing the budget proposals**

- 5.1 On 7th January 2020 the Shadow Executive reviewed and agreed the draft revenue budget and capital programme and the draft Corporate Plan.
- 5.2 In January the Shadow Budget Scrutiny Committee met and with Shadow Portfolio holders to challenge the budget proposals made for their respective areas. There were 33 recommendations, which have been considered and any resulting changes have been included within the final budget proposals.
- 5.3 The budget proposals contained within this report have been developed alongside, and with reference to, the developing Corporate Plan for the new Council.
- 5.4 The starting point for developing these financial plans was the consolidation of the five predecessor council's existing revenue budgets and capital programme.
- 5.5 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.
- 5.6 Each Shadow Portfolio Holder for the new Council has been supported by officers across the five councils to produce the revenue budget and capital programme proposals which support the Corporate Plan.
- 5.7 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.

## 6. The 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 Shadow Executive approved the Draft budget on 7 January 2020.
- 6.3 Whilst there remains uncertainty over the wider economic environment and funding beyond 2020/21, a balanced budget has been produced for all 3 years.
- 6.4 The overall revenue budget, with each portfolio's element expanded, can be found in **Appendix 1**.
- 6.5 The key changes from the draft budget are:
- An additional £2.98m of New Homes Bonus in 2020/21, as announced in the Local Government Settlement;
  - An increase of £2.28m in the forecast Council Tax surplus for 2020/21;
  - The announcement of and additional £366k of Homelessness Grants in 2020/21;
  - The release of £1m of Adult Social Care contingency to address ongoing demand and complexity pressures from 2019/20;
  - The addition of a further £1m to the Plane & Patch programme;
  - The addition of £879k for Street Signs and Lines maintenance;
  - The allocation of an additional £1.07m to Home to School Transport budgets in response to current year demand and price pressures;
  - The funding of 10 Social Workers in 2020/21 from Social Care contingency budgets, at a cost of £0.907m to help address backlogs and caseloads in Children's Social Care;
  - An additional investment of £2.187m to support the ASYE Academy to support the development of new Social Workers;
  - The addition of £0.5m to Business Support budgets to enhance administrative support for Children's Social Care.
- 6.6 Details of all revenue budget changes can be found in **Appendix 3**.
- 6.7 The budget still includes a sum of £5m for 'Council Priorities' in 2020/21. It will be for the new authority to decide how this is allocated. However, following budget scrutiny it is likely that the majority of this will be used for climate change alleviation.
- 6.8 Within the 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, or 3.8% of the gross budget**.
- 6.10 The savings expected from the creation of the new Council have been allocated to Portfolios in 2020/21. In 2021/22 and 2022/23 the savings are held corporately and will be allocated to Portfolios as transformation proposals are developed and agreed.
- 6.11 Plans for delivery of the full £18.2m savings target will be discussed and developed as the new Council becomes operational.
- 6.12 In future budgets all savings expected from the creation of the new Council will be fully allocated to portfolios over the appropriate planning period.

## 7. Council Tax

- 7.1 An approach to harmonising Council Tax levels has been agreed, which will see all residents in the same Council Tax band paying the same amount of Council Tax to Buckinghamshire Council from April 2020. This will result in slightly different increases in different areas, but is considered the most appropriate to support the financial sustainability of the new council.
- 7.2 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%**.
- 7.3 In addition an **Adult Social Care Precept of 2%** will be levied, in line with the government's announcement in the Spending Round. In line with Government requirements this additional funding is all allocated to Adult Social Care budgets.
- 7.4 The Council Tax Resolution, which agrees the levels of Council Tax, will be agreed by the Shadow Authority on 28<sup>th</sup> February.
- 7.5 In Aylesbury Town, High Wycombe and West Wycombe Church Yard there have been '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, which require a formal decision by the Shadow Authority' can be found in Appendix 7.
- 7.6 **The Shadow Executive is asked to recommend the Special Expenses budgets in Appendix 5, and the services funded by special expenses (Appendix 6) to the shadow Authority.**

## 8. Fees & Charges

- 8.1 The proposed Schedule of Fees & Charges was approved by Shadow Executive on 07 January 2020, subject to a small number of amendments and corrections. These have now been addressed and include separating Fees & Charges linked to Special Expenses. It was agreed that the final Schedule would be presented to Shadow Authority on 27 February for approval alongside the Budget. The updated schedule is included at **Appendix 4**.
- 8.2 There are likely to be a few required changes following approval at Shadow Authority due to required approvals at Schools Forum and due to the outcome of some on-going tender processes. It is proposed that Shadow Executive delegate decisions to approve and further required changes to Fees & Charges to the s151 officer, in consultation with the Leader, during the period post final budget up to 31st March 2020.

## 9. The Capital Programme

- 9.1 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.
- 9.2 The capital resources available have been reviewed and updated in line with latest expectations. The overall Capital programme is £501m over the 3-years and each portfolio's element of the Programme can be seen in **Appendix 2**.
- 9.3 The proposed Capital Programme is ambitious, both in scale and scope. There is a particular focus on Economic Regeneration.



9.4 Key projects within the programme are:

- £114m to support Economic Regeneration in Aylesbury and Wycombe;
- £108m on schools, including the new Kingsbrook Secondary School;
- £70m on Strategic Highways maintenance including an additional £5m on Highways Plane & Patch and £1m on Footways in 2020/21, as a result of one-off funding in 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;
- £36m investment in Leisure Centres primarily linked to the Chiltern Lifestyle Centre, where construction commenced in 2019/20;
- £11.8m investment in Waste services for the fleet to deliver the new Southern Waste Contract;
- £25m to support Housing and Homelessness, including affordable Housing action plans and disabled facilities grants.

9.5 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.

9.6 All revenue consequences of the Capital programme have been included in the revenue budget.

9.7 A full review of Capital plans will be undertaken early in 2020/21 by the new Council. It is expected that there will be a need to make changes to the programme as the requirements of the new council are clarified through this review process.

9.8 Any decisions to make additions to the Capital Programme will be carefully considered and taken within the governance framework formalised in the Capital & Investment Strategy, and will follow all guidance referred to within this document.

9.9 The Councils authorised borrowing limit currently allows for £100m of additional prudential borrowing should the need arise.

9.10 In order to allow flexibility in the capital programme it is **proposed that the Cabinet be delegated to approve up to £100m of additional prudential borrowing** in order that new projects can be added to the Capital Programme.

9.11 The Council is currently awaiting the outcome of bids for HIF funding. This project is not currently included within the capital programme. In order to allow this project to be added to the programme if the bid is successful, and for work to commence as quickly as possible, it is **proposed that the decision to add any successful HIF funded projects to the capital programme is delegated to Cabinet.**

## 10. Financial Risks

10.1 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.

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

Complexity and increasing demand in social care, homelessness and transportation services	Social care and transportation budgets are subject to significant variations in terms of both demand and complexity. Whilst efforts are made to predict these, they remain volatile.
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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 their manifestos. 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 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.
The increasing risk of Homelessness	Homelessness is currently on an upward trajectory, and is placing a significant burden on budgets for the prevention and management of Homelessness. Whilst additional funding has been received following the Spending Round 2019 there remains a risk that this will not be sufficient to meet need.
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 predecessor authorities all experienced 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, placing burdens on budget due to the high costs of Agency staff.
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 and this may necessitate the need for some short-term borrowing. This also applies to the risks around current funding bids (e.g. Housing Infrastructure Fund). No financing costs have currently been provided for within the revenue budget should there be a need to take out any short term borrowing to assist with cash-flow. Expected capital receipts may not be achievable if market conditions see a fall in sale values.
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 and appropriately sized 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"> <li>• Wage inflation in our supply chain due to lack of suitable employees</li> <li>• Loss of knowledgeable staff</li> <li>• Council tax receipts reductions due to emigration</li> <li>• Business rate receipt reduction through failure / emigration of UK businesses</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>

- 10.3 A robust risk management approach will be taken to monitor, manage and mitigate these risks through the delivery of these budget plans.
- 10.4 The revenue budget proposals include contingencies against the high risk areas, especially Social Care. Our General Fund (non-allocated reserve) balances are also at a prudent level. Close ongoing management of these risks is required to ensure the sustainability of the Council.





## **11. Financial Implications**

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

## **12. Legal Implications**

- 12.1 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.


## **13. Other Key Risks**

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

## **14. Dependencies**

- 14.1 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. In its first year of operation the Council will review the MTFP with a view to extending it in the future. In particular, looking to develop a longer term capital financial planning horizon.

## **15. Consultation**

- 15.1 A public consultation on priorities and budgets ended on 25 November 2019. The results have been reviewed by the Shadow Executive alongside the draft budget report, and any financial changes resulting from this are included in these budget proposals.
- 15.2 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).
- 15.3 The Corporate Plan has been updated to reflect the sub-priorities which respondents felt to be most important to them; similarly, the 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.
- 15.4 Further consultation has taken place with the Bucks Business Group following approval of the draft budget by the Shadow Executive. There was general support for the proposed budget.
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## 16. Equalities Implications

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

## 17. Next Steps

- 17.1 The Shadow Authority will receive the Revenue Budget, Capital Programme, Corporate Plan and associated appendices on 27th February 2020 for final approval.
- 17.2 The Council Tax Resolution, which agrees the Council Tax figures for the Council, and all precepting organisations, will be presented alongside these proposals.

<b>Background Papers</b>	<b>Appendix 1 - Revenue Budget</b> <b>Appendix 2 – Capital Programme</b> <b>Appendix 3 – Detailed Revenue Budget Changes</b> <b>Appendix 4 – Schedule of changes to Fees &amp; Charges</b> <b>Appendix 5 – ‘Special Expenses’ budgets and precept</b> <b>Appendix 6 – ‘Special Expenses’ activities</b>
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