



Report to Cabinet

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| Date: | 12 July 2022 |
| Title: | Quarter 1 Budget Monitoring Report 2022-23 |
| Relevant councillor(s): | John Chilver |
| Author and/or contact officer: | Dave Skinner, Finance Director & S151 Officer |
| Ward(s) affected: | none specific |
| Recommendations: | <p>Cabinet is asked to note the report and the risks and opportunities contained within it.</p> <p>Cabinet is requested to approve the drawdown of £1.5m from the “Mitigating Future Financial Risks” reserve to fund the unconsolidated element of the 2022/23 pay award as approved by the Senior Appointments & Pay Committee (SAPC). This can be funded from reserves as it is a one-off element and will not be incorporated into the base budget going forwards.</p> |
| Reason for decision: | To understand the financial position of the Council in respect of 2022-23 Budgets. |

1. Executive summary

- 1.1 This report sets out the Revenue and Capital outturn position for Buckinghamshire Council for the financial year 2022/23 as at Quarter 1.
- 1.2 This is the first budget monitoring report for the new financial year, and comes at a time when the Council is experiencing significant financial pressures due to the current economic situation and the high levels of inflation.
- 1.3 Inflation is currently running at a 40-year high of 9%, and the Bank of England has warned it could exceed 11% later this year. This is due to oil, gas and food prices

which have been affected by the Ukraine conflict and also the expected rise in the energy price cap in October 2022. In addition the cost of living crisis will put pressure on wage bills which may drive inflation up yet further.

- 1.4 The Revenue outturn position for 2022/23 is an adverse variance of £3.8m, 1% of Portfolio budgets.
- 1.5 The main drivers for this variance are;
 - a) An adverse variance on Portfolio spend of £10.4m (2%) offset by £6.6m of corporate mitigations.
 - b) The £10.4m adverse variance in Portfolios includes:
 - i. £3.1m pressure in Health and Wellbeing from demand pressures and fee uplifts in Adult Social Care.
 - ii. £5.3m pressure in Children's Services, in staffing costs due to requirement for agency staff £1.9m linked to complexity of cases and workloads, client costs in Children's social care £1.4m due to the cost of placements, and £0.9m in Adoption and Special Guardianship Order allowances due to increased volumes.
 - iii. £1.8m in Accessible Housing and Resources, of which £1.5m is attributable to inflation on energy costs in Property & Assets due to the exceptional price increases in 2022/23.
 - iv. £1m adverse variance in Transport Services due to increased contract costs and a 3% increase given to Home to School Contracts to mitigate rising fuel prices.
 - v. A favourable variance of £1.1m in Climate Change & Environment from additional income from the sale of electricity from the council's Energy for Waste (EfW) site.
 - c) The £6.6m of corporate mitigations include:
 - i. A forecast surplus of £0.4m: £0.3m in additional income from unringfenced grant income, where the budget was set prudently but a small amount of additional income is expected, and a surplus of £0.1m on loan interest, following extension of a loan agreement.
 - ii. Corporate Contingencies: a £6.2m favourable variance is forecast on contingencies expected to be released. Specific contingencies have been forecast to be released to offset pressures as shown below.
 - iii. Available reserve balances: in addition to the Corporate Contingencies, the newly created reserve "Mitigating Future Financial Risks" which was set up following outturn 2021/22 as a result of unused contingencies and the overall favourable variance, contains £9.9m. £1.5m of this has been earmarked to fund the unconsolidated element of the 2022/23 pay award as agreed by

SAPC, but a balance of £8.4m remains which could be called upon if required.

Figure 1: Corporate Contingencies & Mitigating Future Financial Risks Reserve

| 2022-23 Revenue Contingencies | Budget | Favourable Variance - Mitigating pressures in monitoring | Remaining to cover pressures that may arise in remainder of the year |
|--|---------------|--|--|
| | £'000 | £'000 | £'000 |
| Pay & Pension Contingency | | | |
| Pay Inflation | 4,245 | - | 4,245 |
| Pay - c/fwd (non consolidated) | 710 | - | 710 |
| Redundancy (non unitary) | 500 | - | 500 |
| Total Budget Risk | 5,455 | - | 5,455 |
| Service Risk Contingency | | | |
| Inflationary Pressures (incl. NI) | 2,950 | 1,500 | 1,450 |
| National Living Wage | 250 | - | 250 |
| Adult Social Care Pressures / Demography | 3,210 | 3,100 | 110 |
| Adult Social Care Provider Market | 1,700 | - | 1,700 |
| Home to School Transport | 1,000 | 200 | 800 |
| Children's Services Demography | 1,410 | 1,410 | - |
| High Cost Children's Placements | 500 | - | 500 |
| General Contingency - Economic Uncertainty | 866 | - | 866 |
| Total Service Risk | 11,886 | 6,210 | 5,676 |
| Total Contingency | 17,341 | 6,210 | 11,131 |
| Total Variation on Contingencies | | 6,210 | |
| Available balance from newly created reserve "Mitigating Future Financial Risks" | 9,900 | | |
| £1.5m recommended by SAPC to support pay award | (1,500) | | 8,400 |
| Total resources earmarked to mitigate further pressures | | | 19,531 |

1.6 The Appendix provides further detail for each Portfolio and information about performance relating to overdue debts and late payments of commercial debt.

2. Revenue

2.1 The forecast revenue budget outturn is summarised in Figure 2. The key Portfolio variances are explained in Appendix 1.

2.2 Overall an adverse variance of **£3.8m** is forecast (**1% of the net budget**) after allowing for £6.6m of corporate mitigations.

Figure 2: Revenue Budgets

| | Budget | Y/E Outturn | Variance |
|---|------------------|------------------|----------------|
| | £000 | £000 | £000 |
| Revenue | | | |
| Expenditure | 10,700 | 10,700 | 0 |
| Income | (900) | (900) | 0 |
| Leader | 9,800 | 9,800 | 0 |
| Expenditure | 39,400 | 39,500 | 100 |
| Income | (10,800) | (12,000) | (1,200) |
| Climate Change & Environment | 28,600 | 27,500 | (1,100) |
| Expenditure | 11,500 | 11,400 | (100) |
| Income | (4,500) | (4,400) | 100 |
| Communities | 7,000 | 7,000 | 0 |
| Expenditure | 8,900 | 8,800 | (100) |
| Income | (3,900) | (3,700) | 200 |
| Culture & Leisure | 5,000 | 5,100 | 100 |
| Expenditure | 630,100 | 634,300 | 4,200 |
| Income | (541,400) | (540,300) | 1,100 |
| Education & Childrens Services | 88,700 | 94,000 | 5,300 |
| Expenditure | 243,700 | 248,800 | 5,100 |
| Income | (79,300) | (81,300) | (2,000) |
| Health & Wellbeing | 164,400 | 167,500 | 3,100 |
| Expenditure | 18,500 | 18,800 | 300 |
| Income | (11,600) | (11,600) | 0 |
| Housing & Homelessness & Regulatory Serv | 6,900 | 7,200 | 300 |
| Expenditure | 16,700 | 16,700 | 0 |
| Income | (10,600) | (10,600) | 0 |
| Planning & Regeneration | 6,100 | 6,100 | 0 |
| Expenditure | 67,600 | 67,500 | (100) |
| Income | (11,900) | (10,600) | 1,300 |
| Transport | 55,700 | 56,900 | 1,200 |
| Expenditure | 168,500 | 169,500 | 1,000 |
| Income | (117,200) | (116,700) | 500 |
| Accessible Housing & Resources | 51,300 | 52,800 | 1,500 |
| Portfolios | 423,500 | 433,900 | 10,400 |
| Expenditure | 42,300 | 36,100 | (6,200) |
| Income | (4,400) | (4,500) | (100) |
| Corporate | 37,900 | 31,600 | (6,300) |
| Expenditure | 0 | 0 | 0 |
| Income | (461,400) | (461,700) | (300) |
| Funding | (461,400) | (461,700) | (300) |
| Corporate & Funding | (423,500) | (430,100) | (6,600) |
| Revenue Total | 0 | 3,800 | 3,800 |

- 2.3 The adverse variance of **£3.8m (1%)** comprises:
- £10.4m (2%)** adverse variance on Portfolio budgets;
 - £6.2m** favourable variation on Corporate Contingencies: specific contingency budgets are forecast to be utilised to meet pressures in Portfolios;
 - £0.4m** minor favourable variation on Corporate Budgets, principally unringfenced grant income.

2.4 **Appendix 1** provides further detail on the revenue forecast outturn by Portfolio.

3. Achievement of Savings

3.1 £19.2m of savings were incorporated into the approved 2022-23 Revenue budgets. The table below shows performance against those targets.

Figure 3 Savings Targets by Portfolio

| Portfolio | Target £k | Forecast £k | Shortfall £k |
|--|---------------|---------------|--------------|
| Accessible Housing and Resources Portfolio | 2,520 | 2,520 | 0 |
| Climate Change & Environment | 2,916 | 2,876 | 40 |
| Communities | 1,900 | 1,900 | 0 |
| Culture & Leisure | 1,634 | 1,634 | 0 |
| Education & Children's Services | 713 | 463 | 250 |
| Health & Wellbeing | 3,258 | 3,438 | -180 |
| Housing & Homelessness & Regulatory Services | 395 | 320 | 75 |
| Leader | 595 | 595 | 0 |
| Transport | 5,259 | 5,259 | 0 |
| Total | 19,190 | 19,005 | 185 |

- Achievement of the £19.2m savings targets is summarised in the above table. Overall there is a shortfall of £0.2m as follows:
 - Health & Wellbeing – a favourable forecast variance of £180k. The review and relocation of clients from expensive out-of-county placements is forecast to deliver more savings than budgeted for.
 - Children's Services – an adverse variance of £250k. Agency staff budgets are currently projected to overspend, therefore the initial forecast is that the related saving will not be achieved.
 - Housing and Homelessness – an adverse variance of £75k is forecast. Additional income is at risk due to delayed opening of Bridge Court Temporary Accommodation scheme and possible use for Ukraine response.

4. Capital

- a) At this early point in the year, Portfolios are forecasting that the Capital Programme will be managed to the agreed budget level (with no forecast variance). However, the current exceptional level of inflation will have a significant impact on what can be delivered within the approved budget for the year. The Building Cost Information Service (BCIS) data indicates that construction materials are currently experiencing inflation in excess of 20%, as a result of high oil and gas prices pushing up the cost of concrete and tarmac, the availability of steel due to the conflict in Ukraine, and shortages of labour and general materials. An early high-level review of the capital programme indicated a pressure of circa £50m across the 4 year programme.
- b) There is a risk that shortages of building materials could further drive up prices and cause delays and slippage in the programme:
 - i. Shortages in semiconductors potentially until 2023, which could result in longer lead in time for vehicles and technology equipment;
 - ii. The impact of the war in Ukraine on the manufacture of steel – (the Azovstal steel plant is one of the largest in Europe and its closure is having a knock on effect across the whole of Europe);
 - iii. Sanctions against Russia who are a large steel producer;
 - iv. Covid in China has disrupted the country's manufacturing activity and led to increased demand of steel imports.
- c) It has been agreed that a moratorium will be put in place on uncommitted capital schemes (excluding rolling maintenance programmes) whilst an urgent review of the impact of inflation is carried out, and the capital programme is re-prioritised via a Member and Officer Task and Finish group. Urgent sign off measures will be put in place to ensure that key schemes can commence before the review is complete.
- d) The effect of inflation will be felt differently across the Capital Programme, for example in maintenance programmes (including Roads & Buildings), the amount of work undertaken is driven by the available resources. This means that if costs rise, this will impact on the volume of work that can be undertaken. Expenditure will be managed within the available resources and focussed on the highest priority maintenance projects to minimise any impact on future years revenue costs.

Further details for each portfolio may be found in **Appendix 1**.

Figure 4: Capital Budgets

| Portfolio | Actuals to Date £000 | Released Budget £000's | Unreleased Budget £000's | Total Budget £000's | Forecast Outturn Released £000's | Forecast Unreleased £000's | Forecast Outturn £000's | Forecast Variance £000's |
|---|-------------------------|---------------------------|-----------------------------|------------------------|-------------------------------------|-------------------------------|----------------------------|-----------------------------|
| Children's Services | -1,061 | 42,426 | 2,694 | 45,120 | 42,426 | 2,694 | 45,120 | 0 |
| Climate Change & Environment | -289 | 1,314 | 10,880 | 12,194 | 1,314 | 10,880 | 12,194 | 0 |
| Communities | -82 | 210 | 0 | 210 | 210 | 0 | 210 | 0 |
| Culture & Leisure | -244 | 3,115 | 3,818 | 6,933 | 3,115 | 3,818 | 6,933 | 0 |
| Accessible Housing & Resources | 363 | 4,526 | 2,878 | 7,404 | 4,526 | 2,878 | 7,404 | 0 |
| Health & Wellbeing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Housing, Homelessness & Regulatory Leader | -246 | 8,629 | 158 | 8,787 | 8,629 | 158 | 8,787 | 0 |
| Planning and Regeneration | 615 | 1,203 | 29,155 | 30,358 | 1,203 | 29,155 | 30,358 | 0 |
| Transport | 811 | 4,877 | 10,533 | 15,411 | 4,877 | 10,533 | 15,411 | 0 |
| Grand Total | 3,193 | 102,453 | 61,257 | 163,710 | 102,453 | 61,257 | 163,710 | 0 |

Note: negative actuals relate to accruals and retentions – where the value of work done / completed has been charged to last year, but invoices not yet paid.

5. Other options considered

5.1 None arising directly from this report.

6. Legal and financial implications

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

6.2 There are no legal implications arising from the report.

7. Corporate implications

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

8. Local councillors & community boards consultation & views

8.1 Not applicable.

9. Communication, engagement & further consultation

9.1 Not applicable.

10. Next steps and review

10.1 An updated position as of the end of Quarter 2 will be brought to Cabinet in November.

11. Background papers

11.1 Appendix 1 – Portfolio level summaries.

12. Your questions and views (for key decisions)

- 12.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone [01296 382343] or email [democracy@buckinghamshire.gov.uk].