

## Report to Cabinet

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<b>Title:</b>	<b>2018/19 Finance Monitoring Report – End of September (Q2) position</b>
<b>Date:</b>	
<b>Author:</b>	Cabinet Member for Resources
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<b>Local members affected:</b>	n/a
<b>Portfolio areas affected:</b>	All

*For press enquiries concerning this report, please contact the media office on 01296 382444*

### Summary

The current operating environment for Councils with responsibility for Social Care is very difficult, with both demand pressures and increasing complexity driving overspends across many Council's with these responsibilities. These challenges have been widely reported in the national press and have been recognised by Central Government in the 2018 Budget statement.

Whilst Buckinghamshire County Council is not immune to these challenges, we have recognised them and taken action. Our current forecast revenue outturn position is an overspend of £0.2m. However undesirable overspending may be, this position is a positive reflection on the focus and deliverable management actions, both planned and already delivered, which have almost entirely addressed the significant pressures we are experiencing across Social Care and SEND transport budgets; and in the challenge of delivering stretching savings proposals in challenging times.

Within our Capital programme we are reporting slippage on projects of £10.7m (8.6%). However, some areas of capital expenditure have been accelerated and all revenue consequences of this slippage have been fully accounted for in the revenue forecast outturn.




## Purpose of the Report

This report provides information on the financial performance for the Council to the end of September (Quarter 2) of the financial year 2018/19.

## Background

The financial information informs Cabinet of the forecast revenue and capital position for the financial year 2018/19. A full analysis of the outturn of Portfolios is contained in the appendices to this report.

As well as narrative information, financial performance against target is shown visually as follows:

	<b>Green</b>	Performance is on or above target.  Revenue under spends against budget and overspends up to +0.1% are shown as green  Minor capital variances
	<b>Amber</b>	Performance is below target  (+0.1% to +1%) for financial performance  Capital slippage above 10% and above £500k
	<b>Red</b>	Performance is well below target  (worse than +1%) for financial performance  Overspend more than 10% and more than £500k

## Recommendation

**Cabinet is asked to NOTE the Quarter 2 outturn forecast for revenue and capital budgets and discuss areas of concern.**

### A. Narrative setting out the reasons for the decision

#### Context – National

Local authorities with social care responsibilities are experiencing growing service and financial pressures, most notably through the failures at Northamptonshire County Council, but also as widely reported across the single- and upper-tier community of councils. This pressure, and others, has been recognised in recent announcements, including the Autumn 2018 Budget with additional funding identified for both Social Care (in both 2018/19 and 2019/20), and to address the condition of highways infrastructure.

The pressures in Social Care were highlighted in a recent National Audit Office (NAO) report which stated:-

- from 2010/11 to 2017/18 the real terms reduction in Central Government funding of local authorities is 49.1%
- from 2010/11 to 2017/18 the real terms reduction in local authority spending power (Government funding + Council Tax) is 28.6%

- from 2010/11 to 2016/17 the real terms reduction in local authority spending on social care services was 3%
- from 2010/11 to 2016/17 the real terms reduction in local authority spending on non-social care services was 32.6%
- that the overspend on local authority service budgets in 2016/17 was £901m
- that the percentage of local authorities with care responsibilities that drew down on their reserves during 2016/17 was 66.2%

It is notable that 66% of local authorities with care responsibilities drew down on their reserves during 2016/17. This is directly as a result of increased demand and cost pressures. Local Government funding has been reducing whilst statutory obligations have not reduced.

The Local Government Association (LGA) has undertaken some research and this shows that nationally 75% of councils reported an overspend of more than £0.5m in 2015/16 within Children's Social Care and that the national overspend on Adult Social Care in 2016/17 was £366m. Additionally, over the past decade child protection enquiries have increased by more than 150%.

The Local Government Association (LGA) has forecast that Local Government will have a funding gap of £7.8bn by 2025 mainly relating to Social Care services.

Whilst the financial problems of Northamptonshire County Council are well documented it should be noted that their position, whilst extreme, is indicative of the direction of travel within many single-tier and County Councils, with many reporting significant in-year pressures relating to Social Care and Education services, challenges in delivering existing savings plans and the use of significant levels of their financial reserves in order to meet these pressures. These are not pressures which are going away, and many more such Councils are also identifying significant budget gaps in future years even where this year's pressures are manageable.

## **Context – Local**

Buckinghamshire County Council (BCC) has a good track record of managing within its overall budget. In seven of the last eight years there has been an overall underspend despite experiencing pressures within social care services. In 2017/18 there was an overall underspend of £2.9m which helped to increase our level of General Fund reserves. These currently stand at £26.2m, which represents 7.7% of our net budget requirement. Cabinet received a report on the 21st May 2018 around the financial sustainability of the Council which recognised that the Council currently has acceptable levels of reserves (allocated and unallocated) and high Member involvement, including a strong Regulatory & Audit Committee, exists. It is our plan to make further contributions to reserves to ensure their level remains appropriate for the risks the Council faces in the future.

Nevertheless, the Council is experiencing significant pressures on services which are impacting on the current budget position. The revenue budget outturn is summarised in Table 1 below. The key Portfolio variances are explained in Appendix 1.

## 1. Revenue Budget Position

At the end of September the Council is forecasting that there will be a **£0.2m forecast overspend** for the year end March 2019. At a Portfolio level, there are significant forecast overspends in Children's Social Care (£4.1m = 6.1%), Education & Skills (£0.99m = 4.3%), Resources (£1.54m = 6.0%) and Health and Wellbeing (£2.25m = 1.7%). The overspends are partially offset by a forecast underspend in Planning & Environment, giving an overall Portfolio position of £7.1m overspent. An underspend of £6.9m in non-Portfolio budgets gives a forecast position for the Council of £0.2m overspend.

The key reasons for the overspends reported above (and in more detail in the appendices to this report) are as follows:-

- Increases in the demand for Social Care, and increasing complexity in the cases presenting;
- Increases in both the demand and cost of provision for SEND transport;
- Delays and non-delivery of existing savings plans;
- Non-delivery of income targets due to wider economic conditions.

All Portfolios are continuing to work on action plans to mitigate their own pressures. In addition all Portfolios have carried out a detailed review of their budgets in order to identify actions to bring the overall Council spend to within the approved budget. To date pressures totalling approximately £9m have been mitigated by management action in this year's budget and proposals for future years budgets are being stress-tested to ensure ongoing pressures are addressed. Many of the proposed actions being taken within the current year are included within the Appendix to this report.

Given the wider national context and the well-publicised challenges facing single- and upper-tier authorities the current forecast outturn reflects positively on both the focus and the deliverable management actions taken to control the budget within the current year.

Appendix 1 also provides a summary of the outstanding debt position and the payment performance for 10 day payments. Long-term debt has reduced by £0.8m (15%) in the last year.

**Table 1 – Summary of Council revenue budget outturn as at September 2018**

Portfolio Area		Outturn £000	Budget £000	Variance £000	Variance %
Leader	Expenditure	7,546	7,415	131	1.8%
	Income	(576)	(241)	(335)	139.0%
	Total Leader	6,970	7,174	(204)	(2.8%)
Community Engagement	Expenditure	33,094	32,455	639	2.0%
	Income	(23,736)	(23,165)	(571)	2.5%
	Total Community Engagement	9,358	9,290	68	0.7%
Health & Wellbeing	Expenditure	176,850	174,653	2,197	1.3%
	Income	(42,455)	(42,512)	57	(0.1%)
	Total Health & Wellbeing	134,395	132,141	2,254	1.7%
Children's Social Care	Expenditure	73,303	68,785	4,518	6.6%
	Income	(1,503)	(1,088)	(415)	38.1%
	Total Children's Social Care	71,800	67,697	4,103	6.1%
Education & Skills	Expenditure	32,068	31,713	355	1.1%
	Income	(8,136)	(8,774)	638	(7.3%)
	Total Education & Skills	23,932	22,939	993	4.3%
Resources	Expenditure	37,478	36,648	830	2.3%
	Income	(10,195)	(10,903)	708	(6.5%)
	Total Resources	27,283	25,745	1,538	6.0%
Planning & Environment	Expenditure	14,394	14,961	(567)	(3.8%)
	Income	(5,570)	(4,703)	(867)	18.4%
	Total Planning & Environment	8,824	10,258	(1,434)	(14.0%)
Transportation	Expenditure	35,924	35,987	(63)	(0.2%)
	Income	(7,238)	(7,117)	(121)	1.7%
	Total Transportation	28,686	28,870	(184)	(0.6%)
<b>Portfolio Total</b>		<b>311,248</b>	<b>304,114</b>	<b>7,134</b>	<b>2.3%</b>
Corporate Costs	Expenditure	8,359	12,084	(3,726)	(30.8%)
	Income	(768)	(1,168)	400	(34.2%)
	Total Corporate Costs	7,590	10,916	(3,326)	(30.5%)
Treasury Management & Capital Financing	Expenditure	20,200	23,743	(3,543)	(14.9%)
	Income	(483)	(431)	(52)	12.1%
	Total Treasury & Capital Fin.	19,717	23,312	(3,595)	(15.4%)
<b>Operating Budget</b>		<b>338,555</b>	<b>338,342</b>	<b>213</b>	<b>0.1%</b>
External Financing	Income	(338,356)	(338,342)	(14)	0.0%
	Total External Financing	(338,356)	(338,342)	(14)	0.0%
<b>Council Total</b>		<b>199</b>	<b>0</b>	<b>199</b>	

## 2. Capital Budget Outturn

The capital budget outturn is summarised in Table 2 below. At this mid-year stage the forecast **slippage is £10.7m**.

There is a review of capital requirements for respite care within the Health & Wellbeing Portfolio and so slippage of £2.8m is currently forecast pending the outcome of the review.

Within the Leaders Portfolio there is slippage of £2.9m on the Waterside North development and LEP schemes primarily relating to Cross Rail connectivity (Taplow Station) and High Wycombe Town Centre Master Plan.

The Transportation Portfolio is forecasting slippage / underspend of £2.5m due to slippage on the Globe Park project, Strategic Highways Maintenance and Developer funded schemes.

The Resources Portfolio is forecasting slippage / underspend of £1.5m largely due to slippage in the Aylesbury Study Centre project.

**Table 2 – Summary of Council capital budget outturn as at September 2018**

Portfolio Area	Outturn £000	Budget £000	Variance £000	Variance %
Leader	18,341	21,204	(2,863)	(13.5%)
Community Engagement	1,287	1,509	(222)	(14.7%)
Health & Wellbeing	-	2,800	(2,800)	(100.0%)
Children's Social Care	884	1,257	(373)	(29.7%)
Education & Skills	46,065	45,868	196	0.4%
Resources	8,077	9,622	(1,545)	(16.1%)
Planning & Environment	2,521	2,361	160	6.8%
Transportation	37,478	39,958	(2,480)	(6.2%)
<b>Subtotal - Portfolios</b>	<b>114,652</b>	<b>124,579</b>	<b>(9,927)</b>	<b>(8.0%)</b>
Corporate	-	811	(811)	(100.0%)
<b>Overall BCC</b>	<b>114,652</b>	<b>125,389</b>	<b>(10,737)</b>	<b>(8.6%)</b>

**B. Other options available, and their pros and cons**

None arising directly from this report

**C. Resource implications**

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

**D. Value for Money (VfM) Self Assessment**

All decisions involving finances are scrutinised to ensure that the best value for money is achieved.

**E. Legal implications**

None arising directly from this report

**F. Property implications**

None arising directly from this report

**G. Other implications/issues**

None arising directly from this report

**H. Feedback from consultation, Local Area Forums and Local Member views**

None arising directly from this report

**I. Communication issues**

Quarterly budget monitoring reports are published on the Council's website.

**J. Progress Monitoring**

The budget monitoring report is updated on a monthly basis.

**K. Review**

Not applicable.

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**Background Papers**

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***Your questions and views***

*If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.*