

## Report to Cabinet

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<b>Title:</b>	<b>2018/19 Finance Monitoring Report – End of December (Q3) position</b>
<b>Date:</b>	Monday 11 February 2019
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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 Councils with these responsibilities. These challenges have been widely reported in the national press and have been somewhat recognised by Central Government in the 2018 Autumn Budget and the provisional Local Government Finance Settlement.

Whilst Buckinghamshire County Council is not immune to these challenges, we have recognised them and taken action. Our current forecast revenue outturn position is a slight overspend of £120k. This is a slight improvement on the Quarter 2 position when an overspend of £200k was forecast. The main changes are due to reduced forecast overspends in Resources (mainly as a result of the acquisition of commercial properties) and Health & Well-being (mainly due to a number of one-off, non-recurrent savings more than offsetting increased pressures) largely offset by an increased overspend in Education & Skills due to increased transport demands. 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 also in delivering stretching savings proposals in challenging times.

Within our Capital programme we are reporting an overall underspend on projects of £15.9m (7.8%). This is partly due to some schemes being deliberately put on hold for specific reasons (e.g. unitary decision), partly due to slippage and partly due to some genuine underspends.

However, some areas of capital expenditure have been deliberately accelerated, and all revenue consequences of the overall underspend 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 December (Quarter 3) 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 3 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 many single- and upper-tier authorities.

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 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. Furthermore, the overall overspend on Children's Social Care services has been increasing year on year since 2012 and in 2017/18 was over £800m.

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 upper-tier 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 being managed.

### **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 having a strong Regulatory & Audit Committee. It is our plan to make further contributions to General Fund reserves to ensure that their level remains appropriate for the risks 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 December the Council is forecasting that there will be a **£120k forecast overspend** for the year ending 31 March 2019. At a Portfolio level, there are significant forecast overspends in Children's Social Care (£4.95m = 7.3%), Education & Skills (£1.91m = 8.4%), Resources (£0.47m = 1.8%) and Health and Wellbeing (£1.355m = 1.0%). The overspends are partially offset by a forecast underspend in Planning & Environment (-£1.55m = -15.1%), giving an overall Portfolio position of £7.1m overspent (2.3%). An underspend of £7.0 in non-Portfolio budgets gives an overall forecast position for the Council of £0.12m 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. Proposals for future years budgets are being stress-tested to ensure ongoing pressures are addressed.

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; long-term debt is £9.6m, which represents 14% of annual sales. Payment performance for 10 day payments is 88% which is slightly below our target of 90%.

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

Portfolio Area		Outturn £000	Budget £000	Variance £000	Variance %
Leader	Expenditure	8,184	7,415	769	10.4%
	Income	(1,083)	(241)	(842)	349.4%
	Total Leader	7,101	7,174	(73)	(1.0%)
Community Engagement	Expenditure	32,982	32,476	506	1.6%
	Income	(23,594)	(23,165)	(429)	1.9%
	Total Community Engagement	9,388	9,311	77	0.8%
Health & Wellbeing	Expenditure	175,371	174,544	827	0.5%
	Income	(41,876)	(42,404)	528	(1.2%)
	Total Health & Wellbeing	133,495	132,140	1,355	1.0%
Children's Social Care	Expenditure	74,740	68,785	5,955	8.7%
	Income	(2,094)	(1,088)	(1,006)	92.5%
	Total Children's Social Care	72,646	67,697	4,949	7.3%
Education & Skills	Expenditure	33,001	31,646	1,355	4.3%
	Income	(8,214)	(8,774)	560	(6.4%)
	Total Education & Skills	24,787	22,872	1,915	8.4%
Resources	Expenditure	39,393	36,697	2,696	7.3%
	Income	(13,109)	(10,885)	(2,224)	20.4%
	Total Resources	26,284	25,812	472	1.8%
Planning & Environment	Expenditure	16,811	14,961	1,850	12.4%
	Income	(8,101)	(4,703)	(3,398)	72.3%
	Total Planning & Environment	8,710	10,258	(1,548)	(15.1%)
Transportation	Expenditure	35,996	35,987	9	0.0%
	Income	(7,139)	(7,117)	(22)	0.3%
	Total Transportation	28,857	28,870	(13)	(0.0%)
<b>Portfolio Total</b>		<b>311,268</b>	<b>304,134</b>	<b>7,134</b>	<b>2.3%</b>
Corporate Costs	Expenditure	12,639	12,064	575	4.8%
	Income	(5,148)	(1,168)	(3,980)	340.8%
	Total Corporate Costs	7,490	10,896	(3,405)	(31.3%)
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>338,475</b>	<b>338,342</b>	<b>134</b>	<b>0.0%</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>120</b>	<b>(0)</b>	<b>120</b>	

## 2. Capital Budget Outturn

The capital budget outturn is summarised in Table 2 below. At the end of the third quarter, the overall forecast **underspend is £15.9m**.

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 £7.7m on the Waterside North development and LEP schemes (£6m) for which Buckinghamshire County Council is the accountable body.

The Transportation Portfolio position is an underspend of £2.5m due to slippage linked to delays around Globe Park and developer funded schemes.

The Resources Portfolio is forecasting an underspend of £4.5m due to the decision to delay development of the Aylesbury Study Centre in light of the unitary decision, and not release funding for Technology projects as the Technology Strategy is being developed.

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

<b>Portfolio Area</b>	<b>Outturn £000</b>	<b>Budget £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Leader	13,673	21,412	(7,739)	(36.1%)
Community Engagement	1,247	1,584	(337)	(21.3%)
Health & Wellbeing	-	2,800	(2,800)	(100.0%)
Children's Social Care	884	1,257	(373)	(29.7%)
Education & Skills	48,308	45,868	2,440	5.3%
Resources	84,311	88,761	(4,449)	(5.0%)
Planning & Environment	2,204	2,361	(156)	(6.6%)
Transportation	37,429	39,958	(2,529)	(6.3%)
<b>Total</b>	<b>188,057</b>	<b>204,001</b>	<b>(15,943)</b>	<b>(7.8%)</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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***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.*