

Report to Cabinet

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| Title: | 2018/19 Outturn Report |
| Date: | 13 May 2019 |
| Author: | Cabinet Member for Resources |
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| Local members affected: | All |
| Portfolio areas affected: | All |

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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 local authorities. 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, the Council has recognised them and taken actions to mitigate them, in terms of the financial planning undertaken ahead of the financial year and the actions taken in response to changes in circumstances and demand during the year. The revenue outturn position for 2018/19 shows an overall underspend of £227k, consisting of an overspend by £6.75m for portfolios being offset by an underspend of £7m in non-portfolio budgets.

The Council's Capital Programme shows an overall underspend on projects of £23.1m (11.2%) for 2018/19. The Capital Programme for a financial year represents a snap-shot of twelve months of a longer term programme of investment and, as such, the outturn position will reflect changes in circumstances that impact upon the timing of financial investments. For example, in 2018/19 it has been possible to accelerate some projects in order to realise the benefits of the investments earlier than originally planned, whilst some schemes have been put on hold for specific reasons; for example to ensure that investments support and are complementary to the transition to the new unitary authority. Similarly some projects have delayed investment due to slippage in the planned timescales and others have achieved genuine underspends.

The key Portfolio variances are explained in Appendix 1.




Purpose of the Report

This report provides information on the financial performance for the Council at the end of the financial year 2018/19.

Background

A full analysis of the outturn of Portfolios is contained within the appendices to this report.

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

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

Recommendation

Cabinet is asked to:

1. Note the year end outturn for revenue and capital budgets and discuss areas of concern.
2. Approve the recommendation that portfolio overspends and underspends from 2018/19 financial year are not carried forward.

A. Narrative setting out the reasons for the decision

Context – National

Local authorities with social care responsibilities are experiencing growing service and financial pressures. This has been most notable in the problems faced by Northamptonshire County Council, but similar challenges have also been widely reported across many single- and upper-tier authorities.

These pressures on local authority budgets were highlighted recently in a National Audit Office (NAO) report which stated that:-

- from 2010/11 to 2019/20 the real terms reduction in Central Government funding of local authorities will be 56.3%.
- 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%.

Whilst funding for Local Government has been reducing, statutory obligations have remained the same or increased during the same period. Furthermore, the overall national 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 as a consequence of 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 need to use significant levels of financial reserves in order to meet these pressures. These are not pressures which are going away, and many more Councils are identifying significant budget gaps in future years.

Context – Local

Buckinghamshire County Council (BCC) has a good track record of managing within its overall budget. In eight of the last nine 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 the level of General Fund reserves, which currently stand at £26.4m, representing 7.4% of the BCC net budget requirement for 2019/20. Cabinet received a report on the 21st May 2018 relating to 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. It is proposed to make further contributions to the General Fund reserves to ensure that their level remains appropriate to mitigate the identified risks as BCC transfers service responsibilities into the new Unitary Council.

1. Revenue Outturn

The outturn position is an underspend for the year ending 31 March 2019. At a Portfolio level, there are significant overspends in Children's Social Care (£4.86m = 7.1%), Education & Skills (£1.53m = 6.8%) and Health and Wellbeing (£1.56m = 1.2%). These overspends are partially offset by an underspend in Planning & Environment (-£1.63m = -15.8%), giving an overall Portfolio position of £6.75m overspent (2.2%). An underspend of £7.0 in non-Portfolio budgets gives an overall outturn position for the Council of an underspend of £0.227m.

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

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

All Portfolios worked on action plans to mitigate these pressures and carried out a detailed review of budgets in order to identify actions to bring the overall Council spend to within the approved budget. The underlying pressures experienced in the year have been considered and taken into account when setting the 2019/20 budget.

Within the Children's Social Care Portfolio, placement budgets for looked after children were overspent by £4.17m, which reflected higher levels of need than had previously been anticipated throughout 2018/19. The service has responded proactively to these demand led pressures throughout the year, putting in place strategies to reduce placement costs by increasing placements with in-house foster carers and connected carers, and reducing reliance on external placements. These positive actions have led to improvements in the outturn position both in terms of the financial outturn but also in terms of the service outcomes derived for vulnerable children. The number of placements with in-house foster carers has increased in 2018/19 by 34, whilst the number of external residential and external foster care placements has reduced by 16, despite growth in the overall number of looked after children. These proactive changes have avoided full year costs of £2.8m compared with the mix of placements at the start of the year. The experience and knowledge gained during 2018/19 have been fed into the financial planning for 2019/20, such that the placement budget reflects updated estimates of the number of looked after children and the expected placement mix, based on sufficiency strategies to increase in-house placements which is anticipated to establish a more sustainable position in the medium term.

The Health & Wellbeing Portfolio overspent by £1.56m reflecting a range of factors impacting upon demand for services, which included the increasing complexity and volume of service users seeking care and support, a generally ageing and, as a consequence, frailer population, which is also leading to an increase in the number of service users who had previously paid for their own care but who now are eligible for Council funded support due to the reduction in their own resources. A number of strategic and proactive decisions totalling £1.7m have been taken to partly mitigate these pressures and to maximise the effectiveness of service outcomes gained for Buckinghamshire residents, including investment in preventative services to support people in retaining their independence as long as possible alongside ensuring that BCC maximises the funding available to support Buckinghamshire residents by identifying where care and support provided should be resourced by other local authorities. The Adult Social Care Transformation programme is also contributing significantly to the sustainability of service delivery, generating cashable efficiency savings of £5.236m from the Better Lives

service review, which puts the portfolio in a good position to manage within the available resources in 2019/20.

Positive outcomes were also achieved within the Planning & Environment portfolio, which achieved a surplus for the year primarily as a consequence of effective decision making to take advantage of opportunities to increase income streams, for example Energy from Waste, whilst all other portfolios delivered either small surpluses or broadly breakeven positions. In the light of the wider national context and the well-publicised challenges facing single- and upper-tier authorities, the outturn position for 2018/19 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 £9.0m, which represents 11% 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

| Portfolio Area | | Outturn £000 | Budget £000 | Variance £000 | Variance % |
|---|-------------------------------|-----------------|----------------|------------------|---------------|
| Leader | Expenditure | 8,855 | 7,369 | 1,486 | 20.2% |
| | Income | (1,901) | (241) | (1,660) | 688.8% |
| | Total Leader | 6,954 | 7,128 | (174) | (2.4%) |
| Community Engagement | Expenditure | 33,487 | 32,516 | 971 | 3.0% |
| | Income | (24,063) | (23,165) | (898) | 3.9% |
| | Total Community Engagement | 9,424 | 9,351 | 73 | 0.8% |
| Health & Wellbeing | Expenditure | 177,928 | 175,170 | 2,758 | 1.6% |
| | Income | (43,776) | (42,579) | (1,197) | 2.8% |
| | Total Health & Wellbeing | 134,152 | 132,591 | 1,561 | 1.2% |
| Children's Social Care | Expenditure | 76,847 | 69,985 | 6,862 | 9.8% |
| | Income | (3,086) | (1,088) | (1,998) | 183.6% |
| | Total Children's Social Care | 73,761 | 68,897 | 4,864 | 7.1% |
| Education & Skills | Expenditure | 33,133 | 31,137 | 1,996 | 6.4% |
| | Income | (9,066) | (8,598) | (468) | 5.4% |
| | Total Education & Skills | 24,067 | 22,539 | 1,528 | 6.8% |
| Resources | Expenditure | 37,580 | 37,648 | (68) | (0.2%) |
| | Income | (12,055) | (12,576) | 521 | (4.1%) |
| | Total Resources | 25,525 | 25,072 | 453 | 1.8% |
| Planning & Environment | Expenditure | 17,581 | 15,032 | 2,549 | 17.0% |
| | Income | (8,913) | (4,737) | (4,176) | 88.2% |
| | Total Planning & Environment | 8,668 | 10,295 | (1,627) | (15.8%) |
| Transportation | Expenditure | 36,461 | 35,949 | 512 | 1.4% |
| | Income | (7,557) | (7,117) | (440) | 6.2% |
| | Total Transportation | 28,904 | 28,832 | 72 | 0.2% |
| Portfolio Total | | 311,455 | 304,705 | 6,750 | 2.2% |
| | | | | | |
| Corporate Costs | Expenditure | 13,273 | 11,493 | 1,779 | 15.5% |
| | Income | (949) | (1,168) | 219 | (18.8%) |
| | Total Corporate Costs | 12,324 | 10,325 | 1,998 | 19.4% |
| 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%) |
| Operating Budget | | 343,496 | 338,342 | 5,153 | 1.5% |
| | | | | | |
| External Financing | Income | (343,722) | (338,342) | (5,380) | 1.6% |
| | Total External Financing | (343,722) | (338,342) | (5,380) | 1.6% |
| | | | | | |
| Council Total | | (227) | 0 | (227) | |

2. Capital Outturn

The capital outturn position is an underspend/slippage of £23.1m and is summarised in Table 2 below.

There is a review of capital requirements for respite care within the Health & Wellbeing Portfolio resulting in slippage of £2.8m. This will ensure that any capital investments made are consistent with the service model delivered and thereby maximise benefits to service users and support efficient revenue budget management.

Within the Leaders Portfolio there was slippage of £9.8m, £8m of which relates to LEP schemes for which Buckinghamshire County Council is the accountable body.

The Transportation Portfolio recorded an underspend of £3.9m due to slippage linked to delays on developer funded schemes, the Westcott roundabout, HS2 mitigation and Globe Park.

The Resources Portfolio has underspent by £6.3m due to the strategic decision to delay development of the Aylesbury Study Centre in light of the unitary decision, alongside delaying investment in Technology projects until the Technology Strategy has been updated to reflect the impact of the creation of a new unitary authority.

Partially offsetting these underspends has been an acceleration of investment in Education and Skills arising from the completion of the St Michael's, Aylesbury project ahead of schedule and earlier starts on Primary and Secondary schemes.

Table 2 – Summary of Council capital budget outturn

| Portfolio Area | Outturn £000 | Budget £000 | Variance £000 | Variance % |
|------------------------------|-------------------------|------------------------|--------------------------|-----------------------|
| Leader | 13,203 | 23,017 | (9,814) | (42.6%) |
| Community Engagement | 1,054 | 1,588 | (534) | (33.6%) |
| Health & Wellbeing | - | 2,800 | (2,800) | (100.0%) |
| Children's Services | 228 | 1,257 | (1,029) | (81.8%) |
| Education & Skills | 47,908 | 45,734 | 2,174 | 4.8% |
| Resources | 81,707 | 87,980 | (6,273) | (7.1%) |
| Planning & Environment | 2,231 | 2,351 | (119) | (5.1%) |
| Transportation | 37,924 | 41,846 | (3,922) | (9.4%) |
| Subtotal - Portfolios | 184,255 | 206,572 | (22,317) | (10.8%) |
| Corporate | - | 811 | (811) | (100.0%) |
| Overall BCC | 184,255 | 207,383 | (23,128) | (11.2%) |

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. Financial Regulations state that all revenue overspends are to be carried forward and that 75% of Business Unit underspends are carried forward via a Business Unit specific reserve. However, given the County Council's overall financial position and the additional pressure that this would place on services, this report recommends that there is no carry forward of any underspends or overspends.

E. Legal implications

None arising directly from this report

F. Property implications

There are property implications linked to the capital programme position. Where there has been slippage the budgets will be carried forward into 2019/20.

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.