

## Report to Cabinet

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<b>Title:</b>	<b>Q1 2019/20 Budget Monitoring Report</b>
<b>Date:</b>	22nd July 2019
<b>Author:</b>	Cabinet Member for Resources
<b>Contact officer:</b>	Jane Parker, Senior Accountant x2843
<b>Local members affected:</b>	None
<b>Portfolio areas affected:</b>	All

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

### Summary

As was reflected within the 2018/19 outturn report at the Cabinet meeting on 13<sup>th</sup> May 2019, the current operating environment for Councils with responsibility for Social Care is extremely challenging, with service demand pressures and increasing complexity driving overspends across many local authorities. These challenges continue to be widely reported in the national press and whilst these will continue at least until the Government's Comprehensive Spending Review can be undertaken, which may now be delayed as a consequence of the on-going uncertainty surrounding Brexit.

Buckinghamshire County Council is not immune to these challenges and has sought to recognise and mitigate them when setting the 2019/20 budget. These challenges will continue to need to be addressed by Buckinghamshire Council and are reflected in the planning that is underway to support the production of the first budget for the new unitary authority.

The revenue outturn forecast at the end of Quarter 1 is a projected underspend of £100,000, comprising of a portfolio underspend of £100,000. The portfolio overspend is made up of a projected underspend of £111,000 within the Planning & Environment portfolio, partially offset by an £8k overspend in the Transportation portfolio.

There are potential risks and opportunities that could subsequently impact the final 2019/20 outturn position, primarily linked to the demand for social care services whether for adults or children's, potentially offset by the utilisation of contingency funding and/or additional income. These risks and opportunities will continue to be monitored and will subsequently be

incorporated into future outturn forecasts at the point it is judged that they are deemed to be unavoidable or, in the case of opportunities, to have been realised.

The Council's Capital Programme shows an overall underspend on projects of £1.92m (2.1%) for 2019/20, which is well within the Council's performance target of achieving less than 10% slippage against the planned expenditure. 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 these financial investments. Slippage against the Capital Programme can, therefore, include projects being undertaken earlier than anticipated, as well as situations where delays may occur.

The key Portfolio variances are explained in Appendix 1.

### Purpose of the Report

This report provides information on the financial performance of Buckinghamshire County Council to the end of Quarter 1 of the financial year 2019/20.

### Background

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

As well as narrative information, financial performance against targets are 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 are asked to NOTE the current forecast outturn for the 2019/20 financial year.**

## **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 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 have 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 2024/25 mainly as a consequence of social care services, whilst the President of the Chartered Institute of Public Finance and Accountancy (CIPFA) reflected in July 2019 that "Government must recognise that we need significant injection of additional financial resources to tide us over for that year [2020/21] until [the Government] can properly review the needs,".

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 receding, and many more Councils are identifying significant budget gaps in future years. Grant Thornton with CIPFA launched a Financial Foresight model in July 2019, reporting that indications are that 49% of unitary authorities and 50% of metropolitan councils are at risk over the next decade, with counties the category at the next most risk (44%).

### **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 2018/19 there was an overall underspend of £228,000. The level of General Fund reserves currently stand at £26.4m, representing 7.4% of the BCC net budget requirement for 2019/20. It is proposed to make further contributions to the General Fund and earmarked reserves in 2019/20 to ensure that

their level remains appropriate to mitigate the identified risks as Buckinghamshire County Council transfers service responsibilities into the new Buckinghamshire Council.

## 1. Revenue Budget Outturn

The forecast revenue budget outturn is summarised in Table 1 below. The key Portfolio variances are explained in **Appendix 1**.

At a Portfolio level, the Planning and Environment portfolio is forecasting an underspend of £111,000 (-1.2% of its net revenue budget); all other Portfolios are forecasting close to breakeven.

**Table 1 – Summary of Council revenue budget outturn**

<b>Portfolio Area</b>	<b>Outturn £000</b>	<b>Budget £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Leader	7,508	7,508	-	0.0%
Community Engagement	8,850	8,851	(1)	(0.0%)
Health & Wellbeing	137,502	137,500	2	0.0%
Children's Social Care	75,710	75,710	-	0.0%
Education & Skills	23,883	23,882	1	0.0%
Resources	22,590	22,589	1	0.0%
Planning & Environment	9,186	9,297	(111)	(1.2%)
Transportation	29,142	29,134	8	0.0%
<b>Portfolio Total</b>	<b>314,371</b>	<b>314,471</b>	<b>(100)</b>	<b>(0.0%)</b>
Corporate Costs	22,181	22,181	(0)	(0.0%)
Treasury Management & Capital Financing	19,659	19,659	(0)	(0.0%)
<b>Operating Budget</b>	<b>356,210</b>	<b>356,311</b>	<b>(101)</b>	<b>(0.0%)</b>
External Financing	(356,311)	(356,311)	0	(0.0%)
<b>Council Total</b>	<b>(100)</b>	<b>0</b>	<b>(100)</b>	

## 2. Capital Outturn

The capital outturn position is a forecast underspend/slippage of £1.92m and is summarised in Table 2 below.

Most Portfolios are forecasting close to budget. Both Education and Skills and Transportation Portfolios are forecasting underspends of c£700,000 (Education & Skills £745,000 due to good project management and contractor performance, in relation to St. Michael's Satellite, Aylesbury and Transportation £724,000 due to an unrealised risk relating to Transport for Bucks). The Children's Services Portfolio is forecasting a prudent overspend of £318,000 as the anticipated re-sale value of Westfield's Home is not yet clear as currently no resale date has been established, which in turn indicates that this forecast could be significantly altered in the event that a sale is confirmed during the course of 2019/20.

**Table 2 – Summary of Council capital budget outturn**

Portfolio Area	Outturn £000	Budget £000	Variance £000	Variance %
Leader	6,496	6,451	45	0.7%
Community Engagement	263	263	-	0.0%
Health & Wellbeing	225	225	-	0.0%
Children's Services	1,350	1,032	318	30.8%
Education & Skills	30,237	30,982	(745)	(2.4%)
Resources	9,439	9,755	(316)	(3.2%)
Planning & Environment	2,998	2,998	(0)	(0.0%)
Transportation	37,024	37,748	(724)	(1.9%)
<b>Subtotal - Portfolios</b>	<b>88,032</b>	<b>89,453</b>	<b>(1,421)</b>	<b>(1.6%)</b>
Corporate	-	500	(500)	(100.0%)
<b>Overall BCC</b>	<b>88,032</b>	<b>89,953</b>	<b>(1,921)</b>	<b>(2.1%)</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 regularly.

**K. Review**

Not applicable.

***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.*

*If you have any views on this paper that you would like the Cabinet Member to consider please inform the Democratic Services Team by 5.00pm on Friday 19 July 2019. This can be done by telephone (to 01296 382343), or e-mail to [democracy@bucksc.gov.uk](mailto:democracy@bucksc.gov.uk)*