

## Report to Cabinet

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<b>Title:</b>	<b>Q2 2019/20 Budget Monitoring Report</b>
<b>Date:</b>	11 November 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

The operating environment for Councils with responsibility for Social Care continues to be extremely challenging, with service demand pressures and increasing complexity driving expenditure up across most local authorities. These challenges continue to be raised via well respected professional bodies, such as the Local Government Association (LGA), the Association of Directors of Adult Social Services (ADASS) and the Association of Directors of Childrens Services (ADCS) as well as being widely reported in the national media in recognition of the long term nature of the funding requirements. The recent Spending Round announced by the Government has provided some relief and recognition of these pressures with effect from 2020/21 but, the longer term uncertainty will remain at least until the Government's Comprehensive Spending Review can be undertaken, which has been 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 2 reflects a broadly balanced budget position, with expenditure projected to underspend against the approved budget by £368,000. This is comprised of a projected portfolio related expenditure exceeding the budget by £3.375 million, primarily arising as a consequence of the budget pressures within social care previously referred to above. This is offset by Corporate Costs expenditure being £3.743

million less than the budget available due mainly to specific contingency provision having been budgeted for relating to Social Care financial risks.

There are additional risks and opportunities that could subsequently impact upon the final 2019/20 outturn position, primarily linked to the demand for social care services, potentially offset by the delivery of mitigating actions within business units, the utilisation of contingency funding and/or additional income. These risks and opportunities are only recognised within the forecast outturn position at the point when it is judged that no further mitigation can be achieved or that funding streams have been confirmed.

The Council's Capital Programme shows an overall underspend/slippage on projects of £2 million (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, reflecting the impact of circumstances both within and outside of the control of the Council, such as delays arising due to adverse or favourable weather conditions, external decisions about infrastructure projects and their funding or the mitigation of risks as a consequence of effective project management. Slippage against the Capital Programme can, therefore, include projects being undertaken earlier than anticipated, as well as situations which may lead to delays.

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 2 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, the financial performance against their associated targets is shown visually as follows:

	<p><b>Green</b> Performance is on or above target.</p> <p>Revenue under spends against budget and overspends up to +0.1% are shown as green.</p> <p>Minor capital variances.</p>
	<p><b>Amber</b> Performance is below target.</p> <p>+0.1% to +1% variance for financial performance.</p> <p>Capital slippage greater than 10% and above £500,000.</p>
	<p><b>Red</b> Performance is well below target</p> <p>Greater than +1% variance for financial performance.</p> <p>Overspends greater than 10% and more than £500,000</p>

## **Recommendation:**

**Cabinet are asked to note the current forecast outturn for the financial year 2019/20.**

## **National Context**

Local authorities with social care responsibilities are experiencing growing service and associated financial pressures; this has been most notable nationally in the issues faced by Northamptonshire County Council, but similar challenges have been widely reported across many authorities.

A recent National Audit Office (NAO) report highlighted 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%.

Whilst funding for Local Government has been reducing, statutory obligations have remained the same or have increased during the same period. The Local Government Association (LGA) has recently reported that 'Councils were forced to overspend their children's social care budgets by £777 million in 2018/19, despite allocating an additional £542 million.'

Furthermore, the LGA has forecast that Local Government will have a funding gap of £7.8 billion 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.

Whilst the Government's Spending Round announcements in September 2019, which provided some certainty in relation to current funding streams, was very welcome it is only applicable to the financial year 2020/21, which means the financial risks and challenges highlighted above will remain for the foreseeable future.

## **Context – Local**

Buckinghamshire County Council (BCC) has a good track record of managing within its overall budget. In eight of the last nine years an overall underspend has been delivered, despite the financial pressures within social care services. In 2018/19 there was an overall underspend of £228,000. The level of General Fund reserves is forecast to be £30.4 million as at the 31<sup>st</sup> March 2020, representing 8.5% of the BCC net budget requirement.

## 1. Revenue Budget Outturn

The forecast revenue budget outturn is summarised in Table 1 below. The key Portfolio variances are explained in **Appendix 1**. The outturn forecasts represent the anticipated year end position based upon assumptions about the outcome of events and management actions within the remainder of 2019/20, clearly circumstances can change and consequently the forecast outturn position will continue to be monitored closely.

At a Portfolio level, the Education & Skills Portfolio is forecasting an underspend of £353,000, whilst overspends are forecast for Children's Social Care (£2.682 million), Health & Wellbeing (£1.004 million) and Transportation (£94,000). All other Portfolios are forecasting close to a breakeven position. Corporate Costs are forecast to underspend by £3.743 million, primarily derived from contingencies as yet unapplied, resulting in an overall forecast outturn of a small underspend of £368,000.

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

Portfolio Area	Outturn £000	Budget £000	Variance £000	Variance %
Leader	7,950	7,957	(7)	(0.1%)
Community Engagement	8,907	8,917	(10)	(0.1%)
Health & Wellbeing	139,648	138,644	1,004	0.7%
Children's Social Care	78,681	75,999	2,682	3.5%
Education & Skills	24,110	24,463	(353)	(1.4%)
Resources	23,253	23,253	-	0.0%
Planning & Environment	9,427	9,462	(35)	(0.4%)
Transportation	29,289	29,195	94	0.3%
<b>Portfolio Total</b>	<b>321,265</b>	<b>317,890</b>	<b>3,375</b>	<b>1.1%</b>
Corporate Costs	15,019	18,762	(3,743)	(20.0%)
Treasury Management & Capital Financing	19,659	19,659	(0)	(0.0%)
<b>Operating Budget</b>	<b>355,943</b>	<b>356,311</b>	<b>(368)</b>	<b>(0.1%)</b>
External Financing	(356,311)	(356,311)	0	(0.0%)
<b>Council Total</b>	<b>(368)</b>	<b>0</b>	<b>(368)</b>	

## 2. Capital Outturn

The capital programme forecast outturn position reflects an underspend/slippage of £2 million and is summarised in Table 2 below.

The Education & Skills Portfolios is forecasting an underspend of £900,000 due to good project management and contractor performance, in relation to St. Michael's Satellite, Aylesbury. The Transportation Portfolio is also forecasting an underspend, of £600,000 relating to an underspend in TfB which could potentially be re-allocated to projects and spent during 2019/20.

The Leader's Portfolio is forecasting an overspend of £640,000 as a result of accelerated spend on the High Wycombe Town Centre Master Plan, the A4 Taplow scheme and the A355 scheme. All other Portfolios are forecasting close to budget.

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

<b>Portfolio Area</b>	<b>Outturn £000</b>	<b>Budget £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Leader	8,282	7,640	641	8.4%
Community Engagement	263	263	-	0.0%
Health & Wellbeing	225	225	-	0.0%
Children's Services	832	1,032	(200)	(19.4%)
Education & Skills	30,033	30,932	(899)	(2.9%)
Resources	10,046	10,524	(479)	(4.5%)
Planning & Environment	2,894	3,042	(148)	(4.9%)
Transportation	39,605	40,228	(623)	(1.5%)
<b>Subtotal - Portfolios</b>	<b>92,180</b>	<b>93,887</b>	<b>(1,707)</b>	<b>(1.8%)</b>
Corporate	-	300	(300)	(100.0%)
<b>Overall BCC</b>	<b>92,180</b>	<b>94,187</b>	<b>(2,007)</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.

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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.*

*If you have any views on this paper that you would like the Cabinet Member to consider, or if you wish to object to the proposed decision, please inform the Democratic Services Team by 5.00pm on Friday 8 November 2019. This can be done by telephone (to 01296 382343), or e-mail to [democracy@buckscc.gov.uk](mailto:democracy@buckscc.gov.uk)*