

Report to Cabinet

Title:	Q3 2019/20 Budget Monitoring Report
Date:	10 February 2020
Author:	Cabinet Member for Resources
Contact officer:	Jane Parker, Senior Accountant x2843
Local members affected:	None
Portfolio areas affected:	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 multi-year Comprehensive Spending Review is undertaken in 2020.

Buckinghamshire County Council is not immune to these challenges and 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 will be reflected in the first budget for the new unitary authority.

The revenue outturn forecast at the end of Quarter 3 is a projected overspend of £487,000. This is comprised of a projected portfolio related expenditure exceeding the budget by £4.886 million, primarily as a consequence of the budget pressures within social care referred to above alongside pressures arising from the Home to School Transport service. This is offset by Corporate Costs expenditure being £4.4 million less than the budget available, predominantly due to specific contingency provision having been budgeted for relating to Social Care financial risks, alongside additional, unbudgeted, Business Rates income.

There remain additional risks and opportunities that could impact upon the final 2019/20 outturn position. The risks are primarily linked to the fall or rise in demand for social care services and/or the complexity of the care packages required, potentially offset by the delivery of mitigating actions within business units, and/or additional income. These risks and opportunities are only included within the forecast outturn position at the point when it is judged that no further mitigation can be achieved or that savings and/or additional income have been confirmed.

The Council's Capital Programme shows an overall underspend/slippage on projects of £5.8 million (6.2%) 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, reflect decisions to bring forward projects originally planned for future years, as well as situations which may lead to delays in the completion of projects.

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 3 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:

	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% variance for financial performance. Capital slippage greater than 10% and above £500,000.
	Red	Performance is well below target Greater than +1% variance for financial performance. Overspends greater than 10% and more than £500,000

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. The new Government elected in December 2019 is expected to complete a Comprehensive Spending Review and the Fair Funding Review in the relatively near future, potentially alongside a further review of the Business Rates system, all of which will consequently provide a clearer view about the future funding arrangements for local government as a whole.

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 31st 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 reflecting knowledge and understanding about the outcome of events and management actions within the remainder of 2019/20, clearly circumstances can change consequently the forecast outturn position will continue to be monitored closely.

At a Portfolio level, the Planning & Environment Portfolio is forecasting an underspend of £253,000, whilst overspends are forecast for Children's Social Care (£3.944 million), Health & Wellbeing (£837,000), Education & Skills (£344,000) and Transportation (£160,000). All other Portfolios are forecasting close to a breakeven position. Corporate Costs are forecast to underspend by £4.4 million, primarily derived from contingencies as yet unapplied and unbudgeted business rates income, resulting in an overall forecast outturn of an overspend of £487,000.

Table 1 – Summary of Council revenue budget outturn

Portfolio Area	Outturn £000	Budget £000	Variance £000	Variance %
Leader	7,877	7,988	(111)	(1.4%)
Community Engagement	8,816	8,917	(101)	(1.1%)
Health & Wellbeing	139,866	139,029	837	0.6%
Children's Social Care	80,315	76,371	3,944	5.2%
Education & Skills	24,945	24,601	344	1.4%
Resources	23,355	23,289	66	0.3%
Planning & Environment	9,228	9,481	(253)	(2.7%)
Transportation	29,355	29,195	160	0.5%
Portfolio Total	323,757	318,871	4,886	1.5%
Corporate Costs	14,504	17,782	(3,278)	(18.4%)
Treasury Management & Capital Financing	19,309	19,659	(350)	(1.8%)
Operating Budget	357,570	356,312	1,258	0.4%
External Financing	(357,083)	(356,312)	(771)	0.2%
Council Total	487	0	487	

2. Capital Outturn

The capital programme forecast outturn position reflects an underspend/slippage of £5.8 million and is summarised in Table 2 below.

The Education & Skills Portfolios is forecasting an underspend of £2.742 million due to slippage / underspends on primary and secondary school places, an underspend due to good project management and contractor performance in relation to St. Michael's Satellite, Aylesbury, offset by overspends and accelerated spend in relation to the provision of secondary school places.

The Transportation Portfolio is forecasting an underspend of £2.241 million, relating to slippage of £4.1 million on a number of schemes, the largest of which is the National Productivity Investment Fund A40 and A418, offset by accelerated spend on the High

Wycombe Town Centre Master Plan, Princes Risborough (HIF) scheme, the A355 Improvement Plan, Globe Park, the replacement of fleet vehicles and a number of developer funded schemes.

The Leader's Portfolio is forecasting an overspend of £1.266 million 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

Portfolio Area	Outturn	Budget	Variance	Variance
	£000	£000	£000	%
Leader	8,994	7,729	1,266	16.4%
Community Engagement	263	263	-	0.0%
Health & Wellbeing	225	225	-	0.0%
Children's Services	171	1,032	(861)	(83.4%)
Education & Skills	28,190	30,932	(2,742)	(8.9%)
Resources	9,573	10,438	(866)	(8.3%)
Planning & Environment	2,943	3,042	(99)	(3.3%)
Transportation	37,987	40,228	(2,241)	(5.6%)
Subtotal - Portfolios	88,347	93,889	(5,543)	(5.9%)
Corporate	-	300	(300)	(100.0%)
Overall BCC	88,347	94,189	(5,843)	(6.2%)

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.

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 Member Services Team by 5.00pm on Friday 7 February 2020. This can be done by telephone (to 01296 382343), or e-mail to democracy@buckscc.gov.uk