Report to Cabinet

Date:	16 February 2021
Reference number:	N/A
Title:	**Quarter 3 Budget Monitoring Report**
Relevant councillor(s):	Cllr Katrina Wood
Author and/or contact officer:	Matt Strevens, Head of Corporate Finance, ext. 3181
Ward(s) affected:	None specifically
Recommendations:	**Cabinet are asked to note the current forecast outturn for the financial year 2020/21 and the latest estimates of impacts and funding related to Covid-19.**
Reason for decision:	To understand the current financial position of the Council.

1. Executive summary

1.1 This report sets out the Revenue and Capital outturn position for Buckinghamshire Council for the financial year 2020/21.

1.2 A full analysis of the forecast outturn for each of the Council's six Directorates is contained within the appendices to this report. As well as narrative information, the financial performance against their associated targets is shown.

1.3 Forecast Revenue outturn is an overspend of **£0.1m,** which has reduced from the £4.9m reported for Quarter 2 through additional funding and active management of overspends.

1.4 The forecast Capital outturn is **£160.0m**, representing slippage of **£27.7m**. This is an increase of £12.0m from the £15.7m reported at Quarter 2. However, the position may deteriorate further as a result of the latest lockdown.

1.5 Mitigating actions to address the slight in-year forecast revenue overspend include continued lobbying of government for the full recovery of all additional expenditure and lost income in relation to Covid-19, action within Directorates to identify additional mitigations, as well as the review of commitments against earmarked reserves and corporate contingencies included within the budget. Actions already identified have contributed to the reduction in the forecast overspend.

2. Content of report

2.1 Revenue Budget Outturn

The forecast revenue budget outturn is summarised in Table 1 below. The key Directorate 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 2020/21, and variances are split between Business as Usual and those relating to the Covid-19 response. The reported position does not include the impacts of the third lockdown which commenced in January, and for which the financial implications are yet to be quantified. Clearly circumstances are continuing to change and consequently the forecast outturn position will continue to be monitored closely.

Nationally many Councils find themselves in difficult financial positions, both as a result of existing pressures, and exacerbated by the impact of Covid-19. Whilst Buckinghamshire Council is clearly experiencing pressures both in Business as Usual budgets and as a result of Covid-19, we currently hold circa £47m of General Fund Reserves, whilst a significant number of Local Authorities have depleted their reserves in managing pressures over previous years. Relative to the sector we are in a significantly healthier position to address these issues this year and into future years.

All directorates appear to be forecasting an overspend this year, with the major driver behind this being the loss of income and increased costs in relation to the Council's response to Covid-19. Un-ringfenced grant funding to cover the impact of Covid-19 is being held corporately meaning that the overall position linked to the pandemic is an adverse position of £0.2m. In terms of Business as Usual budgets then there is a favourable variance of £0.1m, meaning that the **overall forecast revenue position is a £0.1m overspend**. This compares to an overall position of £4.9m that was reported for Quarter 2.

The most significant movements in Directorate Business as Usual budgets are within Planning, Growth & sustainability, where the overspend has increased by £1.0m. This is as a result of a review of pressures reported between Covid-19 and BAU, and an

increase in the lost income from rental properties, which is not recoverable through the Government's Sales, Fees & Charges scheme. In Children's Services the forecast BAU overspend has decreased by £1.2m to £4.1m. The overspend largely relates to additional demand in Social Care which is not directly Covid-19 related, and ongoing pressures in Home to School transport budgets. The reduction in BAU overspend is due to costs being classified as Covid-19 related rather than a reduction in the overall pressures.

Corporate & Funding are forecast to underspend by £46.8m, due to an additional £42.8m of un-ringfenced grant income from central government in response to Covid-19. At Quarter 2 this was expected to be £39.6m; however, further funding announcements to support the ongoing costs of Covid-19 have been made during the latest reporting quarter. This comprises **£32.3m** of un-ringfenced grants to cover expenditure pressures and an estimate of **£10.5m** of grant income from the Sales, Fees and Charges lost income compensation scheme (£9.6m has already been claimed for). In addition, £4m of corporate contingencies are not currently forecast as committed.

Appendix 1 provides further detail on the revenue forecast outturn by Directorate.

Appendix 2 presents a breakdown of pressures arising from Covid-19. The 2020/21 pressure resulting from Covid-19 differs from the total pressure as approximately £0.4m of costs and lost income were absorbed within 2019/20, and £0.5m of grant was applied to cover other Covid-19 costs within 2019/20.

Table 1 – Summary of Council Revenue budget outturn

		Budget	Forecast	Variance		Variance: COVID	Variance: BAU
		£m	£m	£m	%	£m	£m
	Expenditure	214.4	264.0	49.6	*23%*	35.7	13.9
	Income	(64.4)	(104.9)	(40.5)	*63%*	(26.4)	(14.1)
Adults & Health		**150.0**	**159.1**	**9.1**	***6%***	**9.3**	**(0.2)**
	Expenditure	600.9	603.2	2.3	*0%*	3.7	(1.4)
	Income	(496.8)	(491.2)	5.6	*(1%)*	0.1	5.5
Children's Services		**104.1**	**112.0**	**7.9**	***8%***	**3.8**	**4.1**
	Expenditure	91.5	95.9	4.4	*5%*	6.2	(1.8)
	Income	(33.6)	(19.8)	13.8	*(41%)*	12.4	1.4
Communities		**57.9**	**76.1**	**18.2**	***31%***	**18.6**	**(0.4)**
	Expenditure	25.2	28.4	3.2	*13%*	1.0	2.2
	Income	(2.7)	(5.9)	(3.2)	*...*	-	(3.2)
Deputy Chief Executive		**22.5**	**22.5**	**-**	**-**	**1.0**	**(1.0)**
	Expenditure	52.8	55.8	3.0	*6%*	3.8	(0.8)
	Income	(40.1)	(34.2)	5.9	*(15%)*	3.5	2.4
Planning, Growth & Sustainability		**12.7**	**21.6**	**8.9**	***70%***	**7.3**	**1.6**
	Expenditure	171.9	153.9	(18.0)	*(10%)*	1.8	(19.8)
	Income	(131.1)	(110.3)	20.8	*(16%)*	1.2	19.6
Resources		**40.8**	**43.6**	**2.8**	***7%***	**3.0**	**(0.2)**
Directorates		**388.0**	**434.9**	**46.9**	**12%**	**43.0**	**3.9**
	Corporate	51.4	47.4	(4.0)	*(8%)*	-	(4.0)
	Funding	(439.4)	(482.2)	(42.8)	*10%*	(42.8)	(0.0)
Corporate & Funding		**(388.0)**	**(434.8)**	**(46.8)**	**12%**	**(42.8)**	**(4.0)**
Total		**-**	**0.1**	**0.1**	*...*	**0.2**	**(0.1)**

Mitigating actions to address the in-year Covid-19 overspend include continued lobbying of government for the full recovery of all additional expenditure and lost income, Directorate action to identify additional mitigations within their budgets, as well as the release of uncommitted earmarked reserves and corporate contingencies included within the budget.

2.2 Capital Budget Outturn

The capital programme forecast outturn position reflects underspend/slippage of **£27.7m** (14.7%). This reflects the impacts of Covid-19, the establishment of the new Council and the fact that the programme is based mainly on legacy schemes that the new Council inherited. In future years the programme will have been developed by the new Council and, as such, key decisions will have been made and it will be easier to profile spend and ensure that underspends are minimised.

The current forecast position is summarised in Table 2 below. Slippage may increase further if Covid-19 restrictions continue to impact on delivery of the capital programme.

Significant slippage / underspends are reported in Children's Services (£3.9m), Communities (£6.6m) and Planning, Growth & Sustainability (£16.6m). Children's Services slippage relates to the School Places programme, where restricted site access has delayed progress. Communities slippage relates to Culture, Sport & Leisure of £2.4m, and Highways & Technical Services slippage of £5.6m largely on car park projects either delayed or cancelled due to current uncertainties. Planning, Growth and Sustainability slippage largely comprises reprofiling of schemes with unrealistic expenditure profiles inherited from the legacy councils.

Detail of the projects this relates to can be found in **Appendix 1**.

Table 2 – Summary of Council Capital budget outturn

Directorate	Actuals to Date £000	Released Budget £000's	Unreleased Budget £000's	Total Budget £000's	Forecast Outturn Released £000's	Forecast Unreleased £000's	Forecast Outturn £000's	Forecast Variance £000's
Adults & Health	55	491	0	491	60	0	60	-431
Children's Services	17,483	33,081	4,776	37,857	33,522	400	33,922	-3,935
Communities Directorate	45,482	70,444	11,234	81,678	71,513	3,595	75,107	-6,571
Planning Growth & Sustainability	26,668	47,540	11,959	59,499	41,325	1,539	42,864	-16,635
Resources Directorate	1,124	5,643	2,561	8,204	5,608	2,500	8,108	-96
Grand Total	**90,812**	**157,198**	**30,530**	**187,728**	**152,027**	**8,034**	**160,060**	**-27,668**

3. Other options considered

3.1 None arising directly from this report.

4. Legal and financial implications

4.1 This is a Finance report and all the financial implications are included in the report.

4.2 There are no legal implications arising from the report.

5. Corporate implications

5.1 Actions resulting from consideration of this report may influence future expenditure in areas of concern / interest.

6. Local councillors & community boards consultation & views

6.1 N/A

7. Communication, engagement & further consultation

7.1 N/A

8. Next steps and review

A further paper will be brought to Cabinet outlining the forecast outturn for the financial year 2020/21 following the conclusion of the financial year.

9. Background papers

Appendix 1 – Directorate level summaries.

Appendix 2 – Covid-19 impacts.

10. Your questions and views (for key decisions)

If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone [01296 382343] or email [democracy@buckinghamshire.gov.uk].