



Report to Cabinet

Date:	7 June 2022
Title:	Budget Monitoring - Outturn 2021-22
Relevant councillor(s):	John Chilver
Author and/or contact officer:	Richard Ambrose, Service Director – Corporate Finance & S151 Officer
Ward(s) affected:	none specific
Recommendations:	Cabinet is asked to: <ul style="list-style-type: none">- note the report and the risks and opportunities contained within it.- approve the transfer of £9.9m arising from unused contingencies (£7.7m) and a favourable outturn variance (£2.2m) to an earmarked reserve, to mitigate heightening risks around the financial implications associated with increased inflationary pressures, global turbulence, Local Government Finance Reform and Adult Social Care Reforms.- approve the carry-forward of slippage on capital schemes where budget is required on approved capital projects in future financial years.
Reason for decision:	To understand the financial position of the Council in respect of 2021-22 Budgets.

1. Executive summary

- 1.1 This report sets out the Revenue and Capital outturn position for Buckinghamshire Council for the financial year 2021/22. Portfolio revenue and capital entries have been concluded, although work is ongoing to quality assure the final position. It is anticipated that any movements would be offset by corresponding use of reserves.
- 1.2 The Revenue outturn position for 2021/22 is a favourable variance of £2.2m, 0.5% of Portfolio budgets. This is an improved position from the Quarter 3 forecast, where a favourable variance of £0.9m (0.2%) was forecast.
- 1.3 The main drivers for this increase in favourable variance are;
 - i) an improved position in the Health and Wellbeing portfolio of £0.8m, due to £0.5m additional clawbacks of Direct Payments following successful migration of providers, and £0.3m from maximisation of Covid-19 grants, in particular the workforce and retention grant.
 - ii) An improved position in the Finance, Resources, Property & Asset portfolio with efficiencies realised in travelling expenses and webcasting costs, plus an increase in legal costs recovered.
- 1.4 Cabinet on 29th March 2022 approved the principle of transferring unused contingency budgets at year end to an earmarked reserve to help mitigate heightening risks around inflation from global, political and economic turbulence, the potential impact of future funding reform, reform of Adult Social Care and the ongoing effect of Covid-19.
- 1.5 The forecast at that time was that £6.2m of contingency budgets would not be required. However, a further £1.5m had been held back in order to mitigate any further risks that might arise during the final quarter. These potential pressures have been managed within the Portfolios and so a further £1.5m is now available to transfer to the proposed new earmarked reserve.
- 1.6 The overall favourable variance of £2.2m is also proposed to be transferred to the reserve, giving a total of £9.9m. This will considerably help to address the increased financial risks and pressures already being experienced within 2022/23, whilst also providing an opportunity to review the robustness of all budgets from 2023/24 onwards as part of the Medium Term Financial Planning process.
- 1.7 Inflation is a key risk for the Council at the current time, as The Bank of England have increased their estimates for 2022/23 from 7% to 10%. This is due in particular to oil, gas and food prices which have been affected by the Ukraine conflict and also the expected rise in the energy price cap in October 2022 which may push prices up further. The cost of living crisis will also drive upward pressure on wages.

- 1.8 The impact of inflation will be felt differently on different sectors, but pressures within the Council's supply chain are expected particularly in housing/property costs and transport costs. There is a risk that suppliers could withdraw from contracts, in the areas of Client Transport and Home Care for example.
- 1.9 Construction inflation is especially concerning as it is currently running at 20%. This will affect the Council's capital programme with increased cost of delivery of capital schemes; it could also, therefore, affect the level of future financial borrowing required which would impact revenue budgets in terms of interest payable. In addition, budgets such as repairs and maintenance expenditure will be impacted by an increase in raw material costs.
- 1.10 The impact of inflation is very difficult to quantify, as the extent and duration are as yet unknown. Although it is anticipated that the exceptionally high rates will be temporary, HM Treasury estimates for financial year 2023 are still very broad, ranging from 1% to 6.4%. For each 1% change in inflation, the estimated cost is £4.6m annually in revenue and £5.2m across the 4 year capital programme. Although the revenue budgets for 2022/23 contain some contingencies which will provide an element of mitigation, a prudent provision for risk at outturn is recommended.
- 1.11 The Appendix provides further detail for each Portfolio and information about performance relating to overdue debts and late payments of commercial debt.

2. Revenue

- 2.1 The forecast revenue budget outturn is summarised in Figure 1. The key Portfolio variances are explained in Appendix 1.
- 2.2 Overall a favourable variance of **£2.2m (0.5% of the net budget)** is forecast after allowing for £6.8m of corporate mitigations. This is a favourable movement of £1.3m since Quarter 3 where a favourable variance of £0.9m was reported.

Figure 1: Revenue Budgets

	Budget	Y/E Outturn	Variance	Change in Variance (from Q3 Cab) £000
		£000	£000	
Revenue				
Expenditure	8,900	10,600	1,700	
Income	(1,000)	(2,600)	(1,600)	
Leader	7,900	8,000	100	200 ↑
Expenditure	38,200	43,300	5,100	
Income	(8,800)	(15,000)	(6,200)	
Climate Change & Environment	29,400	28,300	(1,100)	(200) ↓
Expenditure	14,500	17,500	3,000	
Income	(3,500)	(6,900)	(3,400)	
Communities	11,000	10,600	(400)	200 ↑
Expenditure	11,500	12,700	1,200	
Income	(4,700)	(5,300)	(600)	
Culture & Leisure	6,800	7,400	600	(100) ↓
Expenditure	417,400	454,500	37,100	
Income	(331,300)	(365,100)	(33,800)	
Education & Childrens Services	86,100	89,400	3,300	(100) ↓
Expenditure	173,100	182,500	9,400	
Income	(120,100)	(130,300)	(10,200)	
Finance, Resources, Property & Assets	53,000	52,200	(800)	(400) ↓
Expenditure	247,900	253,900	6,000	
Income	(90,300)	(95,200)	(4,900)	
Health & Wellbeing	157,600	158,700	1,100	(800) ↓
Expenditure	15,400	19,400	4,000	
Income	(8,300)	(11,900)	(3,600)	
Housing & Homelessness & Regulatory Serv	7,100	7,500	400	(200) ↓
Expenditure	14,800	16,100	1,300	
Income	(9,000)	(10,100)	(1,100)	
Planning & Regeneration	5,800	6,000	200	0
Expenditure	69,100	72,400	3,300	
Income	(14,400)	(16,500)	(2,100)	
Transport	54,700	55,900	1,200	100 ↑
Portfolios Total	419,400	424,000	4,600	(1,300) ↓
Corporate	34,600	29,300	(5,300)	
Funding	(454,000)	(455,500)	(1,500)	
Corporate & Funding Total	(419,400)	(426,200)	(6,800)	0
Revenue Total	0	(2,200)	(2,200)	(1,300) ↓

- 2.3 The favourable variance of £2.2m (0.5%) comprises:
- a) £4.6m (1.1%) adverse variance on Portfolio budgets (£5.9m adverse Q3);
 - b) £4.0m favourable variation on Corporate Contingencies, after a proposed transfer to earmarked reserves of £7.7m (£6.2m Q3);
 - c) £2.4m favourable variation relating to Covid Sales Fees and Charges compensation scheme (£1.9m at Q3). £1.2m of this relates to the claim for the current year, as eligible pressures were higher than budgeted for, leading to the additional compensation. A further £1.2m relates to the previous year, as further scrutiny has enabled the identification of more compensation than had been identified at financial year end;
 - d) £0.4m favourable variation on Corporate Budgets, principally capital financing costs (£0.7m at Q3).

2.4 **Appendix 1** provides further detail on the revenue forecast outturn by Portfolio.

3. Achievement of Savings

3.1 £13.2m of savings were incorporated into the approved 2021-22 Revenue budgets. The table below shows performance against those targets.

Figure 2 Savings Targets by Portfolio

Portfolio	Target £k	Forecast £k	Shortfall £k
Climate Change & Environment	1,126	1,056	70
Communities	392	392	0
Culture & Leisure	1,113	933	180
Education & Childrens Services	2,363	2,256	107
Finance, Resources, Property & Assets	2,451	2,251	200
Health & Wellbeing	2,319	2,609	-290
Housing & Homelessness & Regulatory Serv	305	305	0
Leader	1,074	1,074	0
Planning & Regeneration	1,219	1,219	0
Transport	875	691	184
Total	13,237	12,786	451

- a) Achievement of the £13.2m savings targets is summarised in the above table. Overall there was a shortfall of £0.5m (£0.5m Q3) which has been fully considered and taken into account when approving the 2022/23 budget.

4. Capital Budget Outturn

The final outturn position on capital slippage is £18.7m which is 9.5% of budgets. This is an improved position from the Q3 forecast of £22.5m (11.7%) and brings the outturn to within the Council's target of 10% of budgets. Focus will remain on challenging the robustness of capital budgets, and as part of the MTFP process, the profile of capital expenditure will be reviewed to ensure that realistic budgets based on achievable timescales are set.

Further details for each portfolio may be found in **Appendix 1**.

Figure 4: Capital Budgets

Directorate	Actuals to Date £000	Released Budget £000's	Unreleased Budget £000's	Total Budget £000's	Variance on Released Budget £000's	Variance on Total Budget £000's	% Variance Total Budget
Children's Services	64,838	57,959	785	58,744	6,879	6,094	10.4%
Climate Change & Environment	7,856	7,545	1,326	8,871	311	-1,015	-11.4%
Communities	194	133	0	133	61	61	45.5%
Culture & Leisure	17,632	18,997	1,020	20,017	-1,366	-2,386	-11.9%
Finance, Resources, Property & Assets	5,737	8,694	303	8,997	-2,957	-3,260	-36.2%
Health & Wellbeing	0	436	0	436	-436	-436	-100.0%
Housing, Homelessness & Regulatory Leader	9,042	11,308	2,019	13,326	-2,266	-4,285	-32.2%
Planning and Regeneration	12,217	-174	8,403	8,229	12,391	3,988	48.5%
Transport	17,113	28,410	626	29,036	-11,297	-11,923	-41.1%
Grand Total	177,512	178,101	18,120	196,221	-589	-18,709	-9.5%

5. Other options considered

5.1 None arising directly from this report.

6. Legal and financial implications

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

6.2 There are no legal implications arising from the report.

7. Corporate implications

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

8. Local councillors & community boards consultation & views

8.1 Not applicable.

9. Communication, engagement & further consultation

9.1 Not applicable.

10. Next steps and review

10.1 A report on the Council's 2022/23 financial position, based on the Q1 position, will be brought to Cabinet in July.

11. Background papers

11.1 Appendix 1 – Portfolio level summaries.

12. Your questions and views (for key decisions)

12.1 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].