



## Report to Cabinet

<b>Date:</b>	15 November 2022
<b>Title:</b>	<b>Quarter 2 Budget Monitoring Report 2022-23</b>
<b>Relevant councillor(s):</b>	John Chilver
<b>Author and/or contact officer:</b>	Dave Skinner, Finance Director & S151 Officer
<b>Ward(s) affected:</b>	none specific
<b>Recommendations:</b>	<p><b>Cabinet is asked to note the report and the risks and opportunities contained within it.</b></p> <p><b>Cabinet is requested to approve following reserve movements:</b></p> <ul style="list-style-type: none"><li>• <b>A contribution to a corporate earmarked reserve of £15m of income arising from Energy for Waste electricity sales.</b></li><li>• <b>A contribution to a corporate earmarked reserve of £4.4m from income arising from a legal dispute regarding third party waste and metals income, and a corresponding contribution from reserves of £4.4m into corporate budgets.</b></li><li>• <b>A drawdown of £0.15m from the “Mitigating Future Financial Risks” reserve to create an employee hardship fund as approved by the Senior Appointments &amp; Pay Committee (SAPC).</b></li></ul>
<b>Reason for decision:</b>	To understand the financial position of the Council in respect of 2022-23 Budgets.

## 1. Executive summary

- 1.1 This report sets out the Revenue and Capital outturn position for Buckinghamshire Council for the financial year 2022/23 as at Quarter 2.
- 1.2 The Council is continuing to experience significant financial pressures due to the current economic situation and the high levels of inflation.
- 1.3 Inflation is currently running at a 40-year high, with CPI measuring 10.1% in September. This is due to oil, gas and food prices which have been affected by the Ukraine conflict, and also energy prices which have increased by around 70% from the budgeted position. Energy prices had been expected to rise yet further, however this has been contained for this financial year following the energy price cap announced by the government in September 2022.
- 1.4 In Adults and Children’s social care, pressures continue to be experienced due to increased demand and complexity, and in Children’s Services the market has become dysfunctional with a lack of suitable placements driving up unit costs.
- 1.5 A recent report by Grant Thornton highlighted the challenges local authorities are currently facing, explaining that over 60 councils may be required to deplete their reserves or make significant savings in order to balance their budgets. The current political turbulence and lack of clarity on future funding arrangements is contributing to the financial challenges across the local government sector.
- 1.6 Buckinghamshire Council is well placed to contend with these challenges, as the Council has a culture of sustainable financial management, strong processes in place to manage risk and a healthy level of reserves. However, the Quarter 2 position does highlight some ongoing pressures the Council will need to address related to inflation, energy prices and increase in demand for social care.
- 1.7 The Revenue outturn position as of Quarter 2 is a forecast adverse variance of £1.8m, which is a reduction of £2m from the adverse variance of £3.8m reported at Quarter 1.
- 1.8 The key areas of movement in the forecast variance from the Quarter 1 position is as follows:

Forecast variance Quarter 1	£3.8m adverse
<b>Health &amp; Wellbeing</b> – increase of £1.7m adverse. Pressure of £4.8m (£3.1m last quarter) relating to demand pressures and complexity	£1.7m
<b>Education and Children’s Services</b> – increase of £4.2m adverse. £9.5m adverse variance now forecast (£5.3m at Quarter 1)	£4.2m

<b>Climate Change and Environment</b> – favourable movement of £2.2m. Favourable variance of £3.3m at Q2 (£1.1m expected at Q1) due increased income from electricity sales from EfW	(£2.2m)
<b>Transport</b> – an increase of £0.8m from £1.2m adverse reported at Q1 to £2m in Home to School Transport	£0.8m
<b>Accessible Housing and Resources</b> – an increase of £0.6m from £1.5m adverse variance to £2.1m, predominantly £0.6m pressure in Legal & Democratic Services from increased demand linked to Children’s and Adult cases.	£0.6m
<b>Homelessness &amp; Regulatory Services</b> – an increase of £0.5m from an adverse variance of £0.3m to £0.8m due to increased demand for Temporary Accommodation	£0.5m
<b>Corporate and Funding</b> – improvement to the forecast of £7.3m from additional interest income of £2.1m following interest rate rises and reduced interest payable of £0.8m, plus a contribution from earmarked reserves of £4.4m following receipt of non-recurring income to support the Council’s overall forecast position	(£7.3m)
Other minor movements (Leader and Communities portfolios)	(£0.3m)
<b>Forecast variance Quarter 2</b>	<b>£1.8m adverse</b>

1.9 The main drivers for the adverse variance of £1.8m are;

- a) An adverse variance on Portfolio spend of £15.7m (£10.4m forecast at Quarter 1) offset by £13.9m (£6.6m forecast at Quarter 1) of corporate mitigations.
- b) The £15.7m adverse variance in Portfolios includes:
  - i. £4.7m pressure (£3.1m last quarter) in Health and Wellbeing from demand pressures and fee uplifts in Adult Social Care.
  - ii. £9.5m pressure (£5.3m last quarter) in Children’s Services, including £3.2m in placement budgets due to the national lack of available placements and increased complexity of need driving up unit costs; in staffing costs due to requirement for agency staff £1.9m linked to complexity of cases and workloads; £2.9m in client costs in Children’s social care due to demand pressures; £0.5m adoption and special guardianship allowances and £0.9m care leavers’ accommodation and allowances due to increase volumes.
  - iii. £2.1m in Accessible Housing and Resources (£1.5m last quarter), of which £1.1m is attributable to inflation on energy costs in Property &

Assets due to the exceptional price increases in 2022/23 and £1m of new pressures in Legal and Democratic Services and Insurance.

- iv. £2m adverse variance (£1.2m last quarter) in Transport Services due to increased contract costs and a 3% increase given to Home to School Contracts to mitigate rising fuel prices.
  - v. A favourable variance of £3.3m (£1.1m last quarter) in Climate Change & Environment from additional income from the sale of electricity from the council's Energy for Waste (EfW) site.
- c) The £13.9m of corporate mitigations (£6.6m last quarter) include:
- i. £4.4m contribution from earmarked reserves to support the Council's overall bottom line. This is as a result of £4.4m of income received in the Climate Change and Environment portfolio contributed to reserves, following partial resolution of the legal dispute with the council's EfW contractor.
  - ii. £2.0m new favourable variance relating to Interest on Revenue Balances. This reflects a higher level of cash balances than budgeted, and the recent further increase in Bank of England base rate to 2.25% during September.
  - iii. £0.8m new favourable variance on Interest Payable budgets. This forecast has arisen due to the Council's ability to fund any new borrowing required in year from internal borrowing rather than external PWLB borrowing.
  - iv. A forecast surplus of £0.4m: £0.3m in additional income from unringfenced grant income, where the budget was set prudently but a small amount of additional income is expected, and a surplus of £0.1m on loan interest, following extension of a loan agreement.
  - v. Corporate Contingencies: a £6.2m favourable variance is forecast on contingencies expected to be released. Specific contingencies have been forecast to be released to offset pressures as shown below.
  - vi. Available reserve balances: in addition to the Corporate Contingencies, the "Mitigating Future Financial Risks" reserve which was set up following outturn 2021/22 as a result of unused contingencies and the overall favourable variance, contains £9.9m. £1.5m of this has been utilised to fund the unconsolidated element of the 2022/23 pay award as agreed by SAPC, and £0.15m has been utilised to set up a Staff Hardship Fund, but a balance of £8.25m remains which could be called upon if required.

**Figure 1: Corporate Contingencies & Mitigating Future Financial Risks Reserve**

2022-23 Revenue Contingencies	Budget	Released	Current Budget	Favourable Variance - Mitigating pressures in monitoring	Remaining to cover pressures that may arise in remainder of the year
	£'000	£'000	£'000	£'000	£'000
<b>Pay &amp; Pension Contingency</b>					
Pay Inflation	4,245	(4,245)	-	-	-
Pay - c/fwd (non consolidated)	710	0	710	-	710
Redundancy (non unitary)	500	0	500	-	500
<b>Total Budget Risk</b>	<b>5,455</b>	<b>(4,245)</b>	<b>1,210</b>	<b>-</b>	<b>1,210</b>
<b>Service Risk Contingency</b>					
Inflationary Pressures (incl. NI)	2,950	0	2,950	1,500	1,450
National Living Wage	250	0	250	-	250
Adult Social Care Pressures / Demography	3,210	0	3,210	3,100	110
Adult Social Care Provider Market	1,700	0	1,700	-	1,700
Home to School Transport	1,000	0	1,000	200	800
Children's Services Demography	1,410	0	1,410	1,410	-
High Cost Children's Placements	500	0	500	-	500
General Contingency - Economic Uncertainty	866	0	866	-	866
<b>Total Service Risk</b>	<b>11,886</b>	<b>0</b>	<b>11,886</b>	<b>6,210</b>	<b>5,676</b>
<b>Total Contingency</b>	<b>17,341</b>	<b>(4,245)</b>	<b>13,096</b>	<b>6,210</b>	<b>6,886</b>
<b>Total Variation on Contingencies</b>				<b>6,210</b>	
Available balance from "Mitigating Future Financial Risks" reserve	9,900				
£1.5m recommended by SAPC to support pay award	(1,500)				
£0.15m recommended by SAPC to support staff hardship fund	(150)				8,250
<b>Total resources earmarked to mitigate further pressures</b>					<b>15,136</b>

1.10 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 2. The key Portfolio variances are explained in Appendix 1.

2.2 Overall an adverse variance of **£1.8m** is forecast (**0.4% of the net budget**) after allowing for £13.9m of corporate mitigations.

**Figure 2: Revenue Budgets**

	Budget	Y/E Outturn	Variance	Change in Variance (from Q1 Cab)
	£000	£000	£000	£000
<b>Revenue</b>				
Expenditure	8,700	8,500	(200)	
Income	(900)	(900)	0	
<b>Leader</b>	<b>7,800</b>	<b>7,600</b>	<b>(200)</b>	<b>(200) ↓</b>
Expenditure	186,200	187,700	1,500	
Income	(131,000)	(130,400)	600	
<b>Accessible Housing &amp; Resources</b>	<b>55,200</b>	<b>57,300</b>	<b>2,100</b>	<b>600 ↑</b>
Expenditure	55,800	60,900	5,100	
Income	(26,800)	(35,200)	(8,400)	
<b>Climate Change &amp; Environment</b>	<b>29,000</b>	<b>25,700</b>	<b>(3,300)</b>	<b>(2,200) ↓</b>
Expenditure	12,100	11,800	(300)	
Income	(4,500)	(4,300)	200	
<b>Communities</b>	<b>7,600</b>	<b>7,500</b>	<b>(100)</b>	<b>(100) ↓</b>
Expenditure	8,900	8,800	(100)	
Income	(3,900)	(3,700)	200	
<b>Culture &amp; Leisure</b>	<b>5,000</b>	<b>5,100</b>	<b>100</b>	<b>0</b>
Expenditure	425,000	435,300	10,300	
Income	(334,900)	(335,700)	(800)	
<b>Education &amp; Childrens Services</b>	<b>90,100</b>	<b>99,600</b>	<b>9,500</b>	<b>4,200 ↑</b>
Expenditure	245,300	252,500	7,200	
Income	(80,500)	(82,900)	(2,400)	
<b>Health &amp; Wellbeing</b>	<b>164,800</b>	<b>169,600</b>	<b>4,800</b>	<b>1,700 ↑</b>
Expenditure	21,700	22,200	500	
Income	(14,600)	(14,300)	300	
<b>Housing &amp; Homelessness &amp; Regulatory Serv</b>	<b>7,100</b>	<b>7,900</b>	<b>800</b>	<b>500 ↑</b>
Expenditure	17,400	18,100	700	
Income	(10,900)	(11,600)	(700)	
<b>Planning &amp; Regeneration</b>	<b>6,500</b>	<b>6,500</b>	<b>0</b>	<b>0</b>
Expenditure	71,900	73,700	1,800	
Income	(16,400)	(16,200)	200	
<b>Transport</b>	<b>55,500</b>	<b>57,500</b>	<b>2,000</b>	<b>800 ↑</b>
<b>Portfolios</b>	<b>428,600</b>	<b>444,300</b>	<b>15,700</b>	<b>5,300 ↑</b>
Expenditure	37,900	26,300	(11,600)	
Income	(5,000)	(7,000)	(2,000)	
<b>Corporate</b>	<b>32,900</b>	<b>19,300</b>	<b>(13,600)</b>	<b>(7,300) ↓</b>
Expenditure	0	0	0	
Income	(461,500)	(461,800)	(300)	
<b>Funding</b>	<b>(461,500)</b>	<b>(461,800)</b>	<b>(300)</b>	<b>0</b>
<b>Corporate &amp; Funding</b>	<b>(428,600)</b>	<b>(442,500)</b>	<b>(13,900)</b>	<b>(7,300) ↓</b>
<b>Revenue Total</b>	<b>0</b>	<b>1,800</b>	<b>1,800</b>	<b>(2,000) ↓</b>

The adverse variance of **£1.8m (0.4%)** comprises:

- £15.7m (3.7%)** adverse variance on Portfolio budgets;

- b) **£6.2m** favourable variation on Corporate Contingencies: specific contingency budgets are forecast to be utilised to meet pressures in Portfolios;
- c) **£7.7m** favourable variation on Corporate Budgets, from £4.4m transfer from reserves, interest income and reduced interest payable forecasts.

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

### 3. Achievement of Savings

3.1 £19.2m of savings were incorporated into the approved 2022-23 Revenue budgets. The table below shows performance against those targets.

**Figure 3 Savings Targets by Portfolio**

Portfolio	Target £k	Forecast £k	Shortfall £k
Leader	595	595	0
Accessible Housing and Resources Portfolio	2,520	2,520	0
Climate Change & Environment	2,916	2,876	40
Communities	1,900	1,900	0
Culture & Leisure	1,634	1,634	0
Education & Children's Services	713	463	250
Health & Wellbeing	3,258	3,338	-80
Housing & Homelessness & Regulatory Services	395	245	150
Transport	5,259	5,259	0
<b>Total</b>	<b>19,190</b>	<b>18,830</b>	<b>360</b>

- a) Achievement of the £19.2m savings targets is summarised in the above table. Overall there is a shortfall of £0.36m as follows:
  - i. Health & Wellbeing – a net favourable forecast variance of £80k. The review and relocation of clients from expensive out-of-county placements and review of double handed homecare are both forecast to deliver more savings than budgeted for. There is a forecast shortfall for transitions and strength based approach to new and existing care packages.
  - ii. Children's Services – an adverse variance of £250k. Agency staff budgets are currently projected to overspend, therefore the initial forecast is that the related saving will not be achieved.
  - iii. Housing and Homelessness – an adverse variance of £150k is forecast. Additional income is at risk due to delayed opening of Bridge Court Temporary Accommodation scheme and possible use for Ukraine response.

## 4. Capital

- 4.1 Work is ongoing to understand the impact of inflation and how this will affect the capital programme. The current exceptional rates of inflation may have a significant impact on what can be delivered within the approved budget for the year.
- 4.2 A moratorium has been put in place on uncommitted capital schemes (excluding rolling maintenance programmes) whilst an urgent review of the impact of inflation is carried out, and the existing capital programme is re-prioritised.
- 4.3 The member and officer Task and Finish group has looked at uncommitted schemes to identify opportunities to reprofile, postpone or potentially cancel schemes to remain within the available approved capital resources. They have identified
- £5.7m that can be recommended for removal from the current year capital programme.
  - a further £8.1m continues to be further reviewed.
- 4.4 These will be reviewed alongside proposals for the development of the 2022-23 to 2025-26 MTFP Capital Programme.

**Figure 4: Capital Budgets**

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
Children's Services	13,118	37,206	1,807	39,014	32,002	1,400	33,402	-5,612
Climate Change & Environment	2,480	3,848	8,737	12,585	11,918	1,493	13,410	825
Communities	0	268	0	268	50	0	50	-218
Culture & Leisure	1,867	5,254	3,808	9,062	5,507	200	5,707	-3,355
Finance, Resources, Property & Assets	1,032	6,710	591	7,301	4,727	242	4,969	-2,332
Health & Wellbeing	0	436	0	436	0	0	0	0
Housing, Homelessness & Regulatory	2,183	12,761	-2,392	10,369	12,761	-2,392	10,369	0
Leader	4,952	3,051	23,928	26,979	4,609	23,311	27,920	941
Planning and Regeneration	1,324	12,423	4,790	17,212	12,751	2,157	14,907	-2,305
Transport	19,688	38,421	1,969	40,391	39,901	0	39,901	-490
<b>Grand Total</b>	<b>46,644</b>	<b>120,379</b>	<b>43,239</b>	<b>163,618</b>	<b>124,225</b>	<b>26,411</b>	<b>150,635</b>	<b>-12,982</b>

- 4.5 At month 6, the overall forecast capital outturn is £13.0m (7.9%) less than the capital cash limit for the year. The overall variance includes:
- Slippage: School Places (£3.4m), SEND projects (£1.5m), Culture, Sport and Leisure projects (£3.3m), Property & Assets (£1.5m), Planning and Regeneration (£2.3m), Transport (£0.6m), Flood Defence (£0.6m) and Respite Care (£0.4m).
  - Overspends: A £1.4m overspend on the Biowaste scheme is due to an increase in steel and fuel costs and the disposal of contaminated soil. This overspend could be met from in year revenue and reserves (subject to approval). £0.35m Bridge Court safety netting funded from s106.



- c) Accelerated spend: in Leader's Portfolio schemes of £1.3m including: £0.7m Eastern Link Road & £0.3m Princes Risborough Relief Road (both of which will require formal release of additional budget to commit the expenditure); in Transport Portfolio £0.2m Globe Park Marlow (externally funded).
- d) Underspending: on Old Wycombe Library £0.2m. An underspending on Buckinghamshire Network project £0.28m planned to be transferred to fund revenue reserve for software licences.

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

## **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 An updated position as of the end of Quarter 2 will be brought to Cabinet in November.

## **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](mailto:democracy@buckinghamshire.gov.uk)].