



Report to Cabinet

Date:	21 March 2023
Title:	Quarter 3 Budget Monitoring Report 2022-23 Budget Adjustments to the Approved Capital Programme
Relevant councillor(s):	Councillor John Chilver, Cabinet Member for Accessible Housing and Resources
Author and/or contact officer:	David Skinner, Finance Director & S151 Officer
Ward(s) affected:	none specific
Recommendations:	Cabinet is requested to: <ul style="list-style-type: none">- note the report and the risks and opportunities contained within it.- approve a drawdown from the Mitigating Future Financial Risks reserves to fund a further contribution of £150k to the Staff Hardship Fund as agreed by the Senior Appointments and Pay Committee (SAPC) on 1st February 2023
Reason for decision:	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 3.
- 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 Although the rate of inflation has reduced recently from a peak of 11.1% in October 2022, it continues to be at one of the highest levels in 40 years, measuring 10.1% in January 2023. 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. The modest drop in CPI was driven mainly by a significant fall in petrol and diesel prices, but housing, energy and food costs were above the overall rate in January, continuing to put pressure on household finances.

- 1.4 In response to the high levels of inflation, the Bank of England increased interest rates to 4% in early February 2023, which will further impact on businesses and homeowners. The Bank commented however, that the first signs were emerging of inflation beginning to reduce, as gas wholesale prices have begun to fall and supply chain issues are easing. They estimate that inflation may return to around 4% by the end of 2023 calendar year.
- 1.5 Although this would be welcome news, the Council’s budgets continue to experience pressures, particularly in Adults and Children’s social care due to increased demand and complexity of demand. In addition, in Children’s Services the market has become sub-optimal with a lack of suitable placements driving up unit costs.
- 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 3 position does highlight ongoing pressures the Council is facing related to inflation, energy prices, increase in demand for social care, Home to School Transport and Temporary Accommodation.
- 1.7 The Revenue outturn position as of Quarter 3 is a balanced position, which is an improvement from the adverse variance of £1.8m reported at Quarter 2.
- 1.8 The key areas of movement in the forecast variance from the Quarter 2 position are as follows:

Forecast variance Quarter 2	£1.8m adverse
Health & Wellbeing – reduction of £2.1m in the adverse pressure to £2.7m (£4.8m last quarter). Although there have been increased demand pressures, corporate contingency budget of £3.3m has been released to mitigate pressures and additional government funding of £1m has been received from the Hospital Discharge fund.	(£2.1m)
Education and Children’s Services – reduction of £2.8m in the adverse variance from £9.5m to £6.7m. This reflects revised staffing forecasts and maximisation of grant funding to reduce pressures.	(£2.8m)
Homelessness & Regulatory Services – an increase of £3.1m from an adverse variance of £0.8m to £3.9m due to a significant increase in demand for Temporary Accommodation, particularly nightly accommodation. Temporary Accommodation has now been escalated to a Key Financial Risk. Although the	£3.1m

budget for 2023/24 has been increased to meet additional demand, work is progressing apace to develop a more sustainable solution.	
Transport – increase of £1.4m in the adverse variance related to Home to School Transport from £2m to £3.4m due to inflationary pressures on contractors.	£1.4m
Accessible Housing and Resources – improved position in Property and Assets due to revised forecasts for rental income.	(£0.7m)
Other – minor movements in Culture & Leisure, Planning and Regeneration and Leader.	(£0.3m)
Corporate and Funding – although the overall movement is an improvement of £0.4m, within this there are some significant movements in forecast due to £3.3m of contingency released into Health & Wellbeing budgets, a further £2.4m of contingencies forecast to be released to offset pressures, £0.7m of additional interest income due to increases in interest rates, and £0.5m surplus of income relating to the reversal of the 1.25% increase in National Insurance effective from November.	(£0.4m)
Forecast variance Quarter 3	£0.0m

1.9 Within the overall position the main variances are:

- a) An adverse variance on Portfolio spend of £14.3m (£15.7m forecast at Quarter 2) offset by £14.3m (£13.9m forecast at Quarter 2) of corporate mitigations.
- b) The £14.3m adverse variance in Portfolios includes:
 - i. £2.7m pressure (£4.7m last quarter) in Health and Wellbeing from demand pressures and fee uplifts in Adult Social Care.
 - ii. £6.7m pressure (£9.5m last quarter) in Children’s Services, including:
 - £3.6m in placement budgets due to the national lack of available placements and increased complexity of need driving up unit costs;
 - £1.1m in domiciliary care and direct payments, due to continued increases in seriousness and complexity of support needed for children with disabilities;
 - £1.1m in client costs in Children’s social care due to demand pressures;
 - £0.4m adoption and special guardianship allowances;
 - £0.2m care leavers’ accommodation and allowances due to increase volumes;

- £0.6m across Children's Social Care including transport/mileage and operational costs for fostering and adoption.
 - £0.3m across Education budgets
 - £0.6m underspend against staffing budgets in Children's Social Care
- iii. £1.3m in Accessible Housing and Resources (£2.0m 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, £1m is due to pressures in Legal and Democratic Services and Insurance, offset by increased rental income of £0.7m.
- iv. £3.4m adverse variance (£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 (no change from 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 £14.3m of corporate mitigations (£13.9m 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. £2.7m increased favourable variance relating to Interest on Revenue Balances (£2.0m last quarter). This reflects a higher level of cash balances than budgeted, and the recent further increase in Bank of England base rate to 4% during February.
 - iii. £0.8m 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 £0.8m in grant income budgets (£0.3m last quarter) due to additional income from unringfenced grant income £0.3m, plus a surplus of income of £0.5m relating to the reversal of the 1.25% increase in National Insurance effective from November.
 - v. Corporate Contingencies: £3.3m of contingency has been released from corporate budgets to the Adult Social Care budget. A £5.5m favourable variance is forecast on remaining contingency budgets, as

shown below, helping to mitigate variances in Portfolios. A balance of £3.2m remains in Service Risk Contingencies for any further pressures that may arise during the final quarter of the year.

- vi. If the remaining £3.2m of Service Risk Contingencies is not required in year to offset pressures in Portfolios, this could be set aside in reserves in order to mitigate risks or to fund specific future policy purposes.
- vii. 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. After known commitments of £6.3m, a balance of £3.6m 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
Pay & Pension Contingency					
Pay Inflation	4,245	(4,245)	-	-	-
Pay - c/fwd (non consolidated)	710	0	710	-	710
Redundancy (non unitary)	500	0	500	-	500
Total Budget Risk	5,455	(4,245)	1,210	-	1,210
Service Risk Contingency					
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	(2,300)	910	910	-
Adult Social Care Provider Market	1,700	(1,000)	700	700	-
Home to School Transport	1,000	0	1,000	1,000	-
Children's Services Demography	1,410	0	1,410	1,410	-
High Cost Children's Placements	500	0	500	-	500
General Contingency - Economic Uncertainty	1,000	0	1,000	-	1,000
Total Service Risk	12,020	(3,300)	8,720	5,520	3,200
Total Contingency	17,475	(7,545)	9,930	5,520	4,410
Total Variation on Contingencies				5,520	
Available balance from "Mitigating Future Financial Risks" reserve	9,900				
£1.5m recommended by SAPC to support pay award	(1,500)				
£0.15m approved by SAPC to support staff hardship fund	(150)				
Further £0.15m approved by SAPC to support staff hardship fund	(150)				
Additional £500 cost of living award paid January 2023	(2,540)				
Committed to Helping Hand scheme: £1m in 2023/24 and £1m in 2024/25	(2,000)				3,560
Total resources earmarked to mitigate further pressures					7,970

1.10 Appendix 1 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 a balanced position is forecast after allowing for £14.3m of corporate mitigations.

Figure 2: Revenue Budgets

	Budget	Y/E Outturn	Variance	Change in Variance (from Q2 Cab)
	£000	£000	£000	£000
Revenue				
Expenditure	7,700	7,200	(500)	
Income	(700)	(600)	100	
Leader	7,000	6,600	(400)	(400) ↓
Expenditure	172,000	173,900	1,900	
Income	(116,900)	(117,500)	(600)	
Accessible Housing & Resources	55,100	56,400	1,300	(700) ↓
Expenditure	41,100	57,400	16,300	
Income	(11,900)	(31,500)	(19,600)	
Climate Change & Environment	29,200	25,900	(3,300)	0
Expenditure	29,400	29,100	(300)	
Income	(21,800)	(21,500)	300	
Communities	7,600	7,600	0	0
Expenditure	8,800	8,700	(100)	
Income	(3,800)	(3,800)	0	
Culture & Leisure	5,000	4,900	(100)	(200) ↓
Expenditure	425,000	431,700	6,700	
Income	(335,200)	(335,200)	0	
Education & Childrens Services	89,800	96,500	6,700	(2,800) ↓
Expenditure	251,700	256,700	5,000	
Income	(83,700)	(86,000)	(2,300)	
Health & Wellbeing	168,000	170,700	2,700	(2,100) ↓
Expenditure	21,600	23,600	2,000	
Income	(14,600)	(12,700)	1,900	
Housing & Homelessness & Regulatory Serv	7,000	10,900	3,900	3,100 ↑
Expenditure	18,500	19,100	600	
Income	(11,000)	(11,500)	(500)	
Planning & Regeneration	7,500	7,600	100	300 ↑
Expenditure	74,000	78,300	4,300	
Income	(18,700)	(19,600)	(900)	
Transport	55,300	58,700	3,400	1,400 ↑
Portfolios	431,500	445,800	14,300	(1,400) ↓
Corporate	29,500	16,000	(13,500)	
Funding	(461,000)	(461,800)	(800)	
Corporate & Funding	(431,500)	(445,800)	(14,300)	(400) ↓
Revenue Total	0	0	0	(1,800) ↓

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
Accessible Housing & Resources Portfolio	2,520	2,314	206
Climate Change & Environment	2,916	2,916	0
Communities	1,900	1,900	0
Culture & Leisure	1,634	1,634	0
Education & Children's Services	713	306	407
Health & Wellbeing	3,258	3,260	-2
Housing & Homelessness & Regulatory Services	395	395	0
Leader	595	595	0
Transport	5,259	5,259	0
Total	19,190	18,579	611

3.2 Achievement of the £19.2m savings targets is summarised in the above table. Overall there is a shortfall of £0.6m as follows:

- a) Accessible Housing & Resources – a net shortfall of £206k is forecast. Delays in the Revenues and Benefits systems implementation will mean contract savings will also be delayed this year, and in recognition of this, a £206k one-off contribution from an earmarked reserve will meet the savings shortfall.
- b) Education & Children's Services – an adverse variance of £407k relating to elements of the Placement Sufficiency Strategy. The Placements budget is forecast to overspend and the Growth in Special Guardianship Orders cannot therefore be contained within the overall budget (£200k). Additionally the £250k Agency Staff saving has not been achieved. Trading with schools is now forecast to increase by £43k more than the target.

4. External Funding

4.1 The Council has been successful in obtaining additional funding during the financial year from external grant income. It is part of our financial strategy to maximise external funding through bidding for grants, provided these align with the Council's policies and priorities. Clear oversight and governance is in place to ensure that this process is effectively managed including:

- Agreed protocol for bidding for new grant funding;
- Regular reporting at Directorate and Corporate Management Team budget boards;

- Tracking of outcomes to ensure that maximum benefit is being derived from the funding;
- Agreed contributions to overheads to reflect the administration required and ensure recovery of overhead costs.

4.2 This financial year an additional £38m of grant funding has been received. This has been utilised to support the Council's essential front-line services and also to provide vital support to residents and those in need. The funding is predominantly ring-fenced for particular activities and must be spent in accordance with strict conditions of each grant.

A summary of the additional income can be found below.

Figure 4: Additional Grant Income

Type of grant	Purpose of grant	£'m
Ringfenced grants		
Homes for Ukraine	£14.73m of ringfenced funding to provide vital support for Ukrainian refugees.	14.73
Homes for Ukraine education and childcare grant	To support the provision of education and childcare for children who have entered the UK via the Homes for Ukraine visa route. The majority of the funding is allocated to Schools, with a small proportion allocated to Special Educational Needs and Home to School Transport.	4.61
Household Support Fund	To provide support to vulnerable households, particularly those with children and pensioners, to help with rising living costs including energy.	4.80
Rural England prosperity fund	Part of the levelling up agenda, with the aim of improving productivity and strengthening the rural economy and rural communities.	1.83
BOPS (Back-office Planning System) and RIPA (Reducing Invalid Planning Applications)	To fund improvements to the Planning function.	1.43
Hospital Discharge Fund	Ringfenced to support the discharge of patients from hospital settings over the winter months.	1.39
Asylum Seekers - Unaccompanied Children	Funding to support unaccompanied asylum seeking children (UASCs) who are placed with the Council.	1.29
Rough Sleepers Initiative Round 5	To provide local support to eradicate rough sleeping.	1.17
England's Economic Heartland Business Plan Grant	To deliver the Economic Heartland Business Plan.	1.14
Shared Prosperity Fund	The aim of the funding is building pride in place and increasing life chances, with 3 key investment priorities: communities and place; supporting local business; and people and skills.	0.72
Children's Services - Adult learning Multiply	Funding from the UK Shared Prosperity Fund (UKSPF) / levelling up, with the aim of improving adult numeracy.	0.66
Children's Services - DSG (Dedicated School Grant)	Top up of original DSG grant, based on updated financial information. Paid directly out to schools.	1.30
Various smaller grants	Various grants including £0.6m of Afghan resettlement funding, £0.4m towards the Health and Wellbeing portfolio, £0.3m top up to Homelessness Prevention Grant, and various smaller grants aligned to the climate change agenda.	2.63
Total Ringfenced		37.69
Unringfenced		
Extended Rights Home to School Travel	The amount awarded was higher than had been originally anticipated.	0.25
Redmond Review funding	New burdens grant reflecting additional audit costs as a result of the Redmond Review which recommended improvements to the local authority audit regime.	0.13
Total Unringfenced		0.38
Overall total		38.07

5. Capital

- 5.1 At Q3, the overall forecast capital outturn is £30.7m (21.0%) less than the capital cash limit for the year.
- 5.2 The position as reported is subject to approval of a number of in-year changes to the approved capital programme. These have been through the appropriate internal governance boards and are pending a Leader Decision

Figure 5: Q3 Budget and Outturn

Portfolio	Actuals To Date £000	Released Budget £000	Unreleased Budget £000	Total Budget £000	Forecast Outturn £000	Forecast Variance £000
Leader	10,733	7,205	10,492	17,697	16,326	(1,371)
Climate Change & Environment	6,550	4,396	7,281	11,678	12,596	918
Communities		50		50	50	(0)
Culture & Leisure	2,821	6,774	580	7,354	4,994	(2,360)
Health & Wellbeing		335		335		(335)
Transport	32,342	38,992	1,700	40,692	38,221	(2,471)
Homelessness & Regulatory Services	4,702	9,891	11	9,902	10,673	771
Education & Children's Services	18,185	37,861	1,157	39,018	24,412	(14,606)
Accessible Housing & Resources	1,986	5,497	620	6,117	4,704	(1,413)
Planning & Regeneration	1,854	14,094	2,580	16,675	6,833	(9,842)
Grand Total	79,172	125,096	24,422	149,518	118,808	(30,710)

- 5.3 This is an increase in net slippage of £17.7m compared with the Q2 position. The overall forecast variance of £30.7m includes:
- Slippage £33.2m: School Places (£3.0m), SEND projects (£3.0m), Culture, Sport and Leisure projects (£2.4m), Highways and Technical Services (£1.0m), Economic Growth and Regeneration (£9.3m) including Future High Streets (£7.9m), Housing and Regulatory Services (£1.2m) including S106 Affordable Housing schemes (£1.2m), Strategic Transport and Infrastructure (£11.0m) including HIF funded Aylesbury Electricity Grid (£7.9m).
 - Overspends £7.4m: School Places (£4.2m), Neighbourhood Services (£2.4m) including Biowaste Scheme (£1.4m), also £0.6m Waste Container costs, Housing and Regulatory Services Bridge Court (£0.6m) which is to be funded from S106.
 - Accelerated spends (£10.4m): Strategic Transport and Infrastructure (£9.0m) including South East Aylesbury Link Road (£6.8m); Eastern Link Road (£1.2m); DFG (£1.1m); A40 London Rd Wycombe NPIF (£0.6m) Highways and Technical Services (£0.3m).
 - Underspends (£14.6m): School Places (£12.4m) including Kingsbrook Secondary School (£6.7m), Strategic Transport and Infrastructure (£1.1m) including Taplow Station – project closed (£0.6m), ICT (£0.3m) Buckinghamshire Network project planned to be transferred to fund revenue reserve for software licences. Other projects (£4.2m).

5.4 Further details of the delivery of the capital programme for each portfolio may be found in **Appendix 1**.

6. Other options considered

6.1 None arising directly from this report.

7. Legal and financial implications

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

7.2 There are no legal implications arising from the report.

8. Corporate implications

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

9. Local councillors & community boards consultation & views

9.1 Not applicable.

10. Communication, engagement & further consultation

10.1 Not applicable.

11. Next steps and review

11.1 The 2022-23 Outturn position will be brought to Cabinet in June.

12. Background papers

12.1 Appendix 1 – Portfolio level summaries.

13. 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 email [democracy@buckinghamshire.gov.uk].