



Report to Cabinet

Date: 11 July 2023

Title: **Quarter 1 Budget Monitoring Report 2023-24**

Relevant councillor(s): John Chilver, Cabinet Member for Accessible Housing and Resources

Author and/or contact officer: David Skinner, Service Director – Finance & S151 Officer

Ward(s) affected: none specific

Recommendations: **Cabinet is asked to:**

- i. **Note the report and the risks and opportunities contained within it**
- ii. **Approve the actions set out in the report to address the pressures.**

Reason for decision: To understand the financial position of the Council in respect of 2023-24 Budgets.

1. Executive summary

1.1 This report sets out the forecast Revenue and Capital outturn position for Buckinghamshire Council for the financial year 2023/24 as at Quarter 1.

1.2 This is the first budget monitoring report for the new financial year and comes at a time when the Council is continuing to experience significant financial pressures due to high levels of inflation and continued increase in demand and complexity of need in key services, such as Adults Social Care and Children's Social Care.

1.3 The forecast revenue outturn position for 2023/24 is an adverse variance of **£8.3m**, 2% of Portfolio budgets. This is primarily due to pressures in Health and Wellbeing and Education and Children's Services from demand and market insufficiency issues,

coupled with pressures in Accessible Housing and Resources in Energy budgets, Housing & Homelessness & Regulatory Services in Temporary Accommodation budgets and Transport in Parking income budgets.

- 1.4 Detailed Portfolio Action Plans are already in development to address the pressures, with a view to urgently bringing budgets back into line. These will consider the acceleration of savings plans from future years. In addition a member led Strategic Property and Finance Review will be initiated to examine opportunities for additional savings, income or capital receipt. The delivery of the action plans will be managed by the Portfolio Holders.
- 1.5 The forecast position on capital budgets is break even.

2. Revenue

2.1 The forecast revenue outturn for 2023/24 is an adverse variance of £8.3m (2%).

2.2 Within the overall position the main variances are:

- a) The £14.0m adverse variance in Portfolios includes:
 - i. £3.9m pressure in Health and Wellbeing due to growth in client numbers, and increased cost of care packages, particularly in Residential, Nursing and Supported Living.
 - ii. £3.9m pressure in Education & Children's Services predominantly due to the national insufficiency of placements for children looked after leading to a shortage of available placements and very high unit costs of those placements that can be accessed. The forecast is not based on increased volume of activity, rather the mix of placements, with more expensive placements needing to be accessed. This is a particular risk area, due to the volatility of expenditure where one high cost placement can cost in excess of £1m, and there is therefore a significant risk that this pressure could escalate.
 - iii. £1m adverse variance in Accessible Housing and Resources from Energy costs in Property & Assets exceeding budget. This is due to increases in network costs, which are costs relating to access and maintenance of the electricity grid, and energy usage exceeding the budgeted assumptions.
 - iv. £1.5m adverse variance in Housing & Homelessness & Regulatory Services in Temporary Accommodation budgets due to increased demand, particularly for nightly paid accommodation. There has been

an increase in clients presenting as homeless, and an underlying shortage of suitable housing to move clients on to permanently.

- v. £3.2m adverse variance in Transport Services. This includes £0.8m due to increased contract costs in Home to School Transport with provider pressure to increase costs on letting of new contracts. In addition there is a forecast shortfall of £1.8m in the Parking Income budget, which was increased this financial year to reflect post-Covid recovery; the impact of Covid on consumer behaviour is proving to be more long term than previously expected. Energy costs in Transport are also exceeding the budgeted assumptions, by £0.8m.
 - vi. £0.7m pressure in Climate Change and Environment due to recycling income shortfall due to market volatility within dry mixed recycling.
 - vii. The position also reflects a forecast shortfall on Energy from Waste income of £5.0m due to the reduction in market energy prices. This is being offset by a drawdown from the waste reserve in line with the intended use of that reserve.
- b) The £5.7m of favourable variances in corporate budgets includes:
- i. £4.3m favourable variance relating to Interest on Revenue Balances. This reflects further increases in the Bank of England base rate.
 - ii. £0.8m favourable variance on interest payable budgets, due to recalculation of loan repayments.
 - iii. A minor surplus of £0.2m in grant income due to the budget being set prudently.
 - iv. A favourable variance of £0.3m arising predominantly from contribution from grants towards central overheads.
 - v. Corporate Contingencies are retained to address the ongoing risk of further pressures within the year.
 - vi. Available reserve balances: in addition to the Corporate Contingencies, the “Mitigating Future Financial Risks” reserve contains £11.5m. After known commitments of £2.2m, a balance of £9.3m remains which could be called upon if required.

Figure 1: Corporate Contingencies & Mitigating Future Financial Risks Reserve

2023-24 Revenue Contingencies	Budget	Released	Current Budget	Favourable Variances - mitigating pressures	Remaining to cover pressures that may arise in remainder of
	£'000	£'000	£'000	£'000	£'000
Pay, Pension and Redundancy Contingency					
Pay Inflation	9,695	0	9,695	-	9,695
Pay - Bonus Contingency	1,000	0	1,000	-	1,000
Pay conversion	710	0	710	-	710
Redundancy Fund	500	0	500	-	500
Total Pay, Pension and Redundancy	11,905	0	11,905	-	11,905
Service Risk Contingency					
General Contingency	8,446	0	8,446	-	8,446
National Living Wage	1,750	0	1,750	-	1,750
Social Care Pressures	1,936	0	1,936	-	1,936
Adult Social Care Provider Market	300	0	300	-	300
Adults Demography	1,799	0	1,799	-	1,799
Children's Services Demography	800	0	800	-	800
High Cost Children's Placements	500	0	500	-	500
Total Service Risk	15,531	0	15,531	-	15,531
Total Contingency	27,436	0	27,436	-	27,436
Total Variation on Contingencies				0	
Available balance from "Mitigating Future Financial Risks" reserve	11,465				
Further £0.15m approved by SAPC to support staff hardship fund	(150)				
Committed to Helping Hand scheme: £1m in 2023/24 and £1m in 2024/25	(2,000)				9,315
Total resources earmarked to mitigate further pressures					36,751

- c) The forecast revenue budget outturn is summarised in Figure 1. The key Portfolio variances are explained in Appendix 1.

Figure 2: Revenue Budgets

	Budget	Y/E Outturn	Variance	
	£m	£m	£m	%
Revenue				
Expenditure	7,500	7,400	(100)	
Income	(300)	(200)	100	
Leader	7,200	7,200	0	0%
Expenditure	165,400	177,600	12,200	
Income	(110,600)	(121,800)	(11,200)	
Accessible Housing & Resources	54,800	55,800	1,000	2%
Expenditure	40,200	35,600	(4,600)	
Income	(23,300)	(18,000)	5,300	
Climate Change & Environment	16,900	17,600	700	4%
Expenditure	13,800	13,600	(200)	
Income	(6,700)	(6,600)	100	
Communities	7,100	7,000	(100)	-1%
Expenditure	8,600	8,600	0	
Income	(4,000)	(4,000)	0	
Culture & Leisure	4,600	4,600	0	0%
Expenditure	689,900	693,600	3,700	
Income	(587,300)	(587,100)	200	
Education & Childrens Services	102,600	106,500	3,900	4%
Expenditure	269,600	278,000	8,400	
Income	(86,000)	(90,500)	(4,500)	
Health & Wellbeing	183,600	187,500	3,900	2%
Expenditure	22,100	23,500	1,400	
Income	(12,400)	(12,300)	100	
Housing & Homelessness & Regulatory Serv	9,700	11,200	1,500	15%
Expenditure	16,200	16,000	(200)	
Income	(9,300)	(9,200)	100	
Planning & Regeneration	6,900	6,800	(100)	-1%
Expenditure	81,000	82,200	1,200	
Income	(19,600)	(17,600)	2,000	
Transport	61,400	64,600	3,200	5%
Portfolios	454,800	468,800	14,000	3%
Corporate	48,500	43,000	(5,500)	
Funding	(503,300)	(503,500)	(200)	
Corporate & Funding	(454,800)	(460,500)	(5,700)	-1%
Revenue Total	0	8,300	8,300	

2.3 The Appendix provides further detail for each Portfolio and information about performance relating to overdue debts and late payments of commercial debt.

3. Achievement of Savings

3.1 £30.4m of savings and income targets were incorporated into the approved 2023-24 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 and Resources	3,486	3,486	0
Climate Change & Environment	13,818	8,618	5,200
Communities	515	515	0
Culture & Leisure	657	657	0
Education & Childrens Services	3,094	3,094	0
Health & Wellbeing	4,611	4,611	0
Homelessness & Regulatory Services	115	115	0
Leader	710	710	0
Planning & Regeneration	137	137	0
Transport	3,269	1,841	1,428
Total	30,412	23,784	6,628

3.2 Achievement of the £30.4m targets is summarised in the above table. There is currently a forecast shortfall of £6.6m. The principal shortfalls relate to:

- a) £1.1m Off-Street parking income – the recovery towards pre-Covid levels of income is slower than budgeted
- b) £5.0m Energy from Waste Income – due to the reduction in market energy prices both contract based and spill market (daily based). The in-year impact of this is being mitigated by a proposed drawdown from the waste reserve to manage this risk. The amount will be monitored over the course of the year and will reflect prevalent market conditions, with the final amount determined for the outturn position.
- c) £0.3m Streetworks Income – expenditure allocated to the permit scheme has increased but volumes are forecast to be similar to last year. Therefore the forecast increase is not achievable.
- d) £0.2m External contract savings in Waste services - Volatility in market price fluctuations relating to dry mixed recycling materials.

4. Capital

Figure 4: Capital Budgets

Portfolio	Current Year Budget			Actual	Forecast	Variance
	Released	UnRel'd	Total			
	£m	£m	£m			
Leader	1.9	17.5	19.4	0.7	19.4	
Accessible Housing & Resources	4.9	1.5	6.4	(0.1)	6.4	
Climate Change & Environment	3.3	4.2	7.6	(0.3)	7.6	
Communities						
Culture & Leisure	5.0	1.4	6.4	0.5	6.4	
Education & Children's Services	13.8	5.5	19.3	(0.2)	19.3	
Homelessness & Regulatory Services	5.4	0.5	5.8	(0.7)	5.8	
Planning & Regeneration	12.7	1.0	13.7	4.0	13.7	
Transport	49.0	0.4	49.4	1.7	49.4	
Corporate		0.8	0.8		0.8	
Grand Total	96.1m	32.7m	128.8m	5.6m	128.8m	0.0m

- 4.1 The Capital Programme was reprofiled during May, where each project reviewed its expenditure profile for 23-24. This reprofiling is due to be formally agreed at this Cabinet Meeting alongside this quarterly finance report. Due to this recent reprofiling the Capital Programme is currently projecting a breakeven position this year, with £128.8m of forecast expenditure.
- 4.2 £32.7m of the budget remains unreleased, meaning that some projects are still at feasibility stage and are required to go a gateway review at the Cabinet's Capital Board before they can proceed.
- 4.3 The Top 10 programmes by value this year are:
- a) Strategic Highways Maintenance planned programme - £17.6m
 - b) South East Aylesbury Link Road – £15.8m, pending the funding decisions from Homes England and DfT (see risk below).
 - c) Roads Plane & Patch - £9.5m, which includes an additional £5m agreed at Full Council, and additional Government Grant.
 - d) Future High Street Fund, High Wycombe regeneration projects - £6.3m
 - e) Schools Planned & Reactive Maintenance works - £6.1m
 - f) Secondary School Places - £5.7m
 - g) Wycombe Regeneration Projects - £5.5m
 - h) East West Rail projects (funded by EWR) - £5.0m
 - i) Disabled Facilities Programme - £4.1m
 - j) Primary School Places - £4.0m

4.4 The main in-year financial risks on capital are currently:

- a) Housing Infrastructure Funding Schemes – Securing Homes England approval to reallocate our HIF grant, and for DfT to finalise the agreement of additional funding, to deliver the South East Aylesbury Link Road.
- b) Future High Streets - Committing the remaining grant funding on a proposed final project; the commitment needs to be in place by 31 March 2024 to meet grant conditions. A decision paper will be coming to Cabinet shortly on this matter.
- c) 2 projects are currently reporting the risk of adverse variances this year, which will be scrutinised in more detail at the Corporate Capital Investment Board prior to a formal funding decision coming back to Cabinet in Qtr 2:
 - i. A cost pressure of £1.4m on the Biowaste project from increased fuel, steel and disposal of contaminated soil, as reported last year, and expected to be funded from existing earmarked reserves.
 - ii. A cost pressure of £0.3m on the Crematory and Hampden Chapel replacement, due to historical building defects and increased furniture & equipment costs, expected to be funded from crematoria reserve.

4.5 Funding

- a) Community Infrastructure Levy (CIL) income is projected to meet its target of £4m.
- b) Capital Receipts are projecting to accelerate delivery this year, with a forecast of £20m against the £2.6m budget due to early delivery against the 4 year MTFP target from the Ashwells site. To note, the overall forecast for receipts over the 4 year MTFP remains to budget.
- c) Grants - Since the last report our funding allocation for Basic Needs grant in 2025-26 has been confirmed at £7.4m by DfE which will help us to continue to balance and deliver the Schools Capital Programme, and a bid has been submitted for £1.9m for electric vehicle charging points, with final confirmation pending over the Summer. Both these items will come forward into the budget formally via the MTFP this year.

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 A report on the Council's Q2 position, will be brought to Cabinet in November.

11. Background papers

11.1 Appendix 1 – Portfolio level summaries, Debt and Payment Performance

12. 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].