

Supplementary Papers for Corporate and Community Overview and Scrutiny Committee

Date: Monday, 13 June 2022



6. Medium Term Financial Plan (MTFP) Update	1 - 34
7. Outturn Report 2021/22	35 - 78

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CABINET



Report subject	Medium Term Financial Plan (MTFP) Update
Meeting date	22 June 2022
Status	Public Report
Executive summary	<p>This report:</p> <ul style="list-style-type: none"> • Presents the latest medium-term financial plan (MTFP) of the council to reflect government announcements since the February 2022 budget report and updated assumptions. • Proposes a financial strategy to support the delivery of a legally balanced budget for 2023/24. • Proposes a budget planning process and timeline for key financial reports. • Recognises the positive outturn from the 21/22 financial year end, the impact of the cost-of-living crisis, and the improvement in some of the key risk areas as identified in the setting of the 22/23 budget.
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ol style="list-style-type: none"> 1) Endorse the updated MTFP position as set out in paragraph 15 2) Approve the financial strategy as referenced in paragraph 21. 3) Acknowledge the cost of living and other operating pressures likely to impact in 2022/23 and future years. 4) Acknowledge the potential mitigation strategy in respect of cost of living and 2022/23 financial pressures. 5) Approves the timeline for key financial reports during 2022/23 as set out in appendix A. 6) Recommend to Council that the second homes premium and revisions to empty homes premium be approved subject to their confirmation via the Levelling Up and Regeneration Bill.
Reason for recommendations	To comply with accounting codes of practice and best practice which require councils to have a rolling multi-year medium term financial plan.

	<p>To provide Cabinet with the latest high-level overview of the medium-term financial plan.</p> <p>To present a proposed financial strategy to support the delivery of a balanced budget for 2022/23.</p>
Portfolio Holder(s):	Councillor Drew Mellor, Leader and Portfolio Holder for Finance & Transformation
Corporate Director	Graham Farrant, Chief Executive
Report Author	<p>Adam Richens: Chief Finance Officer and Director of Finance ☎01202 123027 ✉ adam.richens@bcpcouncil.gov.uk</p>
Wards	Council-wide
Classification	For Decision

Background

1. The 2022/23 budget as presented to Council in February 2022 was a bold, confident, and dynamic, budget with the following key features.
 - a) Delivered a freeze to the core element of the council tax, accompanied by a 4% increase due to the adult social care precept.
 - b) Invested £12.3m extra in the council's highest priority area, children's services (excluding council pay base changes). This takes the gross annual increase in revenue spending on children's services to £20.8m over the last two years.
 - c) Invested £12.1m extra in adult services and therefore to the most vulnerable members of our community (excluding council pay base changes). This takes the gross annual increase in revenue spending on adult services to £25.1m over the last two years.
 - d) Continued to support £5.271m per annum of gross on-going investments in corporate priorities approved as part of the 2021/22 budget of the council. This includes investment in regeneration, highway maintenance, street cleansing, arts and culture, and community safety.
 - e) Invested £101k per annum to cover the annual operating costs of a health hub for homeless people.
 - f) As a one-off for 2022/23 invested £8.2m in new additional council priorities. This included £3.1m in the Cleaner, Greener, Safer programme, £1.7m in Summer Response Initiatives, and a £0.6m increased investment in road maintenance including pothole works.
 - g) As a one-off for 2022/23 invested £1.5m to improve the council's customer services prior to their transformation.

- h) Doubled the annual investment in the response to the Climate Change and Ecological Emergency to £480k per annum.
 - i) Created a £20m Green Futures Fund to enable the council to continue to support the community response to the impact of the pandemic alongside its commitment to becoming carbon neutral by 2030. This is in addition to the £50m Futures Fund and £10m Special Educational Needs and Disability (SEND) capital allocation included in the 2021/22 budget proposal. These commitments are being funded through additional council borrowing financed through the revenue budget of the council.
2. Within such context it is important to recognise the 2022/23 budget included numerous risks each of significant value. These risks can be summarised as follows.
- a) To enable the council to transition to a more streamlined authority post transformation, the utilisation of £66.2m of council reserves, including the quarter three £3.3m projected surplus for 2021/22, to support the 2021/22 and 2022/23 approved budgets of the Council.
 - b) A projected funding gap for 2023/24 of £28.2m (excluding the impact of a 2.99% restriction in the proposed growth for both Adults and Children's services). The Council's plan to address this adjusted net funding gap, being to generate significant additional revenue receipts from new commercial models.
 - c) The growing deficit on the Dedicated Schools Grant (DSG) with specific reference to the High Needs Budget which was projected to be £37.4m on 31/3/23 which would be higher than the £31.3m projected total general fund reserves (earmarked and unearmarked). Currently there is a statutory instrument in place which allows councils to ignore the deficit on the DSG, but this expires on the 31 March 2023. Councils are not permitted to operate with negative reserves.
 - d) An assumption that £61m of capital receipts will be generated to fund the councils £67.9m transformation programme. The budget assumed that a significant capital receipt will be delivered in 2022/23 from the securitisation of the beach hut income stream.
 - e) Councils are not normally allowed to fund revenue expenditure from capital receipts. However specific Flexible Use of Capital Receipts legislation allows the council to do so where it specifically relates to the government's definition of transformation and where a saving is clearly defined. The budget assumed this legislation would be extended to the 31 March 2025 as previously indicated by government despite the regulations having not been formally enacted beyond 31/3/22. The assumption was that the regulations when approved would be materially unaltered.
 - f) That Council will subsequently agree to the refinancing of its Urban Regeneration Company (BCP FuturePlaces Ltd) and issue them with a working capital loan facility of circa £8m within the context of a revised Business Plan.
 - g) Council will deliver £4m in unitemised transformation savings and £5.4m in service-based savings in 2022/23.

Cost of Living Crisis

- 3. An additional risk since the 2022/23 budget was approved in February 2022, is the fact that inflation has continued to increase rapidly driven by the post pandemic

economic environment and the war in Ukraine. The Spring Statement in late March indicated that inflation this year would increase to 8% CPI and 10.3% RPI. This compares to the 3.7% CPI forecast assumed in the 2021 Autumn Budget and the 3.1% CPI for September 2021 used to underpin numerous budget assumptions for 2022/23 such as the pay award and the increase on housing rents. The Council will be particularly exposed in respect of rising energy costs, especially electricity (street lighting / leisure centres / owned building) and gas, and contracts which include inflationary causes such as waste disposal. To emphasise the volatility, the price of electricity and gas increased by 80% within a single 24-hour period after February. The resultant financial challenge will be felt by both our community, be those residents or businesses, and directly by the Council with costs significantly above those assumed in the budget.

4. In March 2022 the Chancellor of the Exchequer announced certain measures designed to help communities respond to these unexpected pressures. Included were two notable arrangements to be delivered by local authorities namely.
 - Expansion of the Household Support Fund. BCP has been allocated £2.653m to cover the period 1 April 2022 to 30 September 2022. The grant must be split 1/3rd to support households that include a person who has reached state pension age, 1/3rd to support households that include a person under 19 years of age, and 1/3rd to assist other households. The primary purpose of the grant is to support with the costs of food, energy, water, and other essential living needs.
 - Energy price support in the form of a £150 Council Tax Rebate for households in council tax bands A to D with an additional discretionary scheme to support vulnerable people and individuals on low incomes that do not pay council tax or pay council tax for properties in bands E to H. BCP has been given an initial allocation of £21.2m to cover the standard A to D scheme and a fixed sum of £816,000 for the discretionary scheme.

Payment of the £150 to 100,000 council taxpayers who pay by direct debit commenced in early May 2022. At the same time a postal invite was sent to 50,000 council taxpayers in bands A to D, who do not pay by direct debit, to apply on-line with support via libraries for those who are unable to apply on-line. In addition, an invite was sent to Local Council Tax Support Scheme (LCTSS) and Disablement reduction payers in council tax bands E to H to apply under the discretionary scheme. Consideration will be given to further phases of the discretionary scheme to ensure the fixed sum is fully allocated.

In addition, the Bank of England raised interest rates firstly to 0.75% and then to 1% on 5 May 2022 with further increases in the coming months widely anticipated. There was also a warning that the war in the Ukraine could push inflation even higher than the 8% CPI and 10.3% RPI previously quoted. This was proven when the April rates of inflation were published in May 2022 with CPI at 9% and RPI at 11.1%.

5. Regarding the cost-of-living crisis and its direct impact on the expenditure base of the council. Simon Clarke, Chief Secretary to the Treasury, made a clear statement at the end of March that there will be no cash to bail out public sector budgets hit by soaring inflation. The Chancellor of the Exchequer did though revise and extended the support to individuals and households on the 26 May 2022.
6. Appendix B to this report sets out the potential £13.3m impact of both the cost-of-living crisis and other service pressures are expected to have on the council's

budget for 2022/23. Besides the increase in energy costs, provision is also being made for the possibility that the pay award will be 4% for 2022/23 which is the minimum Local Government Employers advised councils to expect in a statement in earlier May 2022. On the 6 June the unions submitted their pay claim for 2022 for a minimum increase of £2,000 or the current rate of RPI, which ever is greater, on all spinal column points.

Recognising the severity of the impact early action has been taken to manage its impact. This included a series of Budget Challenge meetings in April and May between the councillors who form the Cabinet and senior officers. Appendix B also sets out the details of the potential mitigations that will enable the Council to address the financial challenge in 2022/23. These have been established based on the expectation that Portfolio Holders and Service Managers take all reasonable steps to manage within their delegated budgets with an overall expectation of collective responsibility across the council. All mitigations will be processed in accordance with the council's constitution with specific reference to services schemes of delegation. These costings will be kept under constant review due to their volatility and the likelihood they could further vary in either direction as the year unfolds.

Councillors should also acknowledge the ongoing impact the cost-of-living crisis will have on the budget proposals for future years. As an example, the potential impact is an additional £18.7m cost pressure in 2023/24. It should be emphasised that these are subjective projections at this stage and detailed analysis of the forecast cost pressures in relation to the inflationary environment will be conducted as we look to firm up the estimates for next financial year over the period to February 2023. The impact will be especially acute as several of the potential mitigations are time limited in nature.

Update on the risks associated with the 2022/23 Budget

7. It should be noted that these risks are being reviewed almost weekly by a group including the Leader, Deputy Leader, and a number of Senior Officers of the Council.

8. Financial Outturn for 2021/22

The budget for 2022/23 assumed that a surplus of at least £3.3m would be generated in 2021/22 which would be placed in a specific earmarked reserve at year-end (31 March 2022) and used to finance the 2022/23 Budget.

The final outturn for the year was a surplus of £6.8m which was an improvement compared to that assumed as part of the quarter three monitoring report. This outturn should be seen in the context of the influence and uncertainty caused by the global pandemic, the fact that the 2021/22 budget approved the drawdown of £30m in reserves, as well as considering the size of an authority with gross general fund revenue expenditure of approximately £800m per annum. This outturn was also achieved without drawing down certain earmarked reserves, additional those agreed as part of the approved budget, identified during the course of the financial year which had specifically been made available to support both the councils transition through the pandemic and the refinancing of the capital programme, as previously intended.

As set out in the 2021/22 Financial Outturn report presented elsewhere on the 22 June 2022 Cabinet agenda the additional resources will be used in support of the anticipated impact that the cost-of-living crisis is expected to have on the council in the period to 31 March 2024.

The additional surplus established in quarter four includes.

- a) significant progress in the Adult Social Care continuing healthcare workstream which government suspended during the global pandemic.
- b) earlier recovery in the key income streams of the council which had been suppressed by the council as part of the 2021/22 budget due to the pandemic.
- c) additional efficiencies recognised as part of the transformation programme.
- d) Further capitalisation of costs which are then financed by borrowing.

9. Reserves

Unearmarked Reserves

Set aside to help manage the risk to the council's financial standing in the event of extraordinary or otherwise unforeseen events and to mitigate the underlying risk associated with the operation of the council and the management of service expenditure, income, and the council's funding.

In approving the budget for 2022/23 the council, as a matter of prudence, made the decision to improve the absolute level of its unearmarked reserves. Provision was made for £0.7m to be added to these reserves in each of the 5 years of the medium-term financial plan to 31 March 2027. Consequentially the intention is to increase the £15.3m 31 March 2022 balance to £16m as of 31 March 2023.

Appendix C sets out how these reserves levels compare to other upper tier local authorities. This comparison has been undertaken based on both an absolute level and as a percentage compared to net revenue expenditure (NRE). In absolute terms it indicates that BCP are consistently just above the average. On a percentage compared to NRE it shows that despite the investment the percentage has dropped from 5% to 4.7% which puts us on the lower side of the median. Caution does though need to be taken as all things being equal the council would expect its NRE to be reduced once the full extent of the £44m of transformation savings has been delivered. It will also be influenced by the inclusion of a significant amount of one-off expenditure in the 2022/23 budget. Although there is no set formula for deciding what levels of unearmarked reserves are adequate the Chartered Institute of Public Finance and Accountancy (CIPFA) previous indicated 5% of NRE as a recommended minimum level. Unearmarked reserves would need to be increased by £1.184m to increase them from 4.7% to the 5% level.

The strategy continues to be to increase the councils unearmarked reserves by £0.7m per annum subject to an annual review as part of the budget process.

Earmarked Reserves

Set aside for specific purposes including those held in support of various partnerships where the council is the accountable body, reserves committed to supporting the 2022/23 budget of the Council, reserves which represent government grants received in advance of the associated expenditure, reserves held on behalf of third parties and several reserves the council is required to hold in line with statute or its own governance requirements.

As set out in Figure 2 below the Council had earmarked reserves of £114m as at the 31 March 2022. Off this the majority (£40m) relates to government grants received in advance of the actual expenditure including £18m specifically to mitigate the impact that various Covid business rates reliefs will have of the council's business rates

collection fund. It should also be borne in mind that the 2022/23 budget assumed that £36m would be drawn down from the Financial Resilience and Transition/Transformation earmarked reserves to finance the approved level of expenditure.

The financial strategy supporting the development of the 2022/23 budget, as proposed later in this document, sets out the intention to fundamentally review each of the earmarked reserves to ensure that funds are not being tied up unnecessarily. The intention from the review is where appropriate to release these resources to support the proposed budgets of the council. This approach will though need to acknowledge the relationship between the total reserves (unearmarked and earmarked) and the deficit on the Dedicated Schools Grant which when combined is not permitted to be negative.

10. Flexible Use of Capital Receipts legislation.

The Department for Levelling Up, Housing and Communities (DLUHC) announced on the 4 April 2022 updated direction and statutory guidance to extend the freedom to use eligible capital receipts to fund transformation revenue project costs that deliver ongoing savings, to 31 March 2025.

The guidance remains broadly in line with those that operated previously although the government have set out that only statutory redundancy costs of posts given up to release a saving can now be funded under this mechanism. They have though helpfully confirmed that this restriction does not apply to other severance costs, including pension strain costs.

Although there is a detailed formula, statutory redundancy pay is restricted to a maximum of £17,130 with this amount underpinned by the payment of £571 (assumed weekly pay) times 1.5 for each full year the individual was 41 or older capped at 20 years.

Regarding the £562k redundancy costs charged to transformation, in 2021/22 approximately £111k (20%) would have been ineligible if the new rules had applied. In future the council will need to cover this ineligible element as part of its based revenue budget. The average redundancy cost since BCP Council was formed in April 2019 amount to £51,165 per FTE excluding tiers 1/2/3

By way of process, in future, we will be required to submit any plans, approved by council, to use capital receipts to fund transformation revenue projects to the DLUHC in advance for each financial year. Updated documentation must also be sent if the council changes its plans during the year.

A risk remains in that in drafting this legislation DLUHC intended to encourage local authorities to dispose of surplus assets not to be inventive in the generation of capital receipts. They are in the process of reflecting on the councils' proposals to generate capital receipts from the disposal of beach huts.

11. Generation of capital receipts to fund the Transformation programme

The latest profile of the transformation programme and the associated funding strategy is set out in figure 1 below. This statement does not include the £3.4m in additional annual revenue operating costs, which increases to £4.5m in 2023/24, associated with this investment (operating systems and their licensing costs etc.) or the borrowing costs associated with the financing of the capital elements of the programme.

Figure 1: Transformation spend profile and funding strategy

Transformation Programme		2020/21	2021/22	2022/23	2023/24	2024/25	£m
		Actual	Actual	Estimate	Estimate	Estimate	
		£m	£m	£m	£m	£m	
Capital Spend	Expenditure						
	Capital expenditure	1.19	0.05	0.92	1.16	1.43	4.75
		1.19	0.05	0.92	1.16	1.43	4.75
	Funding						
	Prudential Borrowing (funded from General Fund MRP)	0.00	0.00	(0.72)	(1.16)	(1.43)	(3.31)
	Prudential Borrowing (funded from HRA land tfr)	(1.19)	(0.05)	(0.20)	0.00	0.00	(1.44)
		(1.19)	(0.05)	(0.92)	(1.16)	(1.43)	(4.75)
Revenue Spend	Expenditure						
	One-off costs	0.31	5.32	15.57	3.70	1.93	26.83
	Redundancy costs	0.00	0.56	1.25	10.35	0.74	12.90
	Contingency	0.00	0.00	0.41	0.45	0.68	1.54
	Staff costs apportioned to Transformation	0.00	0.00	6.70	6.70	6.69	20.09
	Data & insight Capability	0.00	0.00	1.40	0.35	0.00	1.75
		0.310	5.880	25.330	21.550	10.040	63.11
	Funding						
	Assumed fundable by Capital Receipts	(0.31)	(3.88)	(25.33)	(21.55)	(10.04)	(61.11)
	Contributions from outside of the General Fund	0.00	(2.00)	0.00	0.00	0.00	(2.00)
		(0.31)	(5.88)	(25.33)	(21.55)	(10.04)	(63.11)
Total	Total expenditure	1.50	5.93	26.25	22.71	11.47	67.86
	Total funding	(1.50)	(5.93)	(26.25)	(22.71)	(11.47)	(67.86)

The investment programme remains at the £67.86m approved as part of the 2022/23 Budget as does the requirement to finance £61.1m from the application of the flexible use of capital receipts. As of 31 March 2022, this assumed capital receipts breaks down into three component parts.

- £5.9m of capital receipts already achieved.
- £12.4m of estimated but not yet delivered capital receipts realisable before 31 March 2025 from long-standing and incidental schemes.
- £42.8m minimum deliverable from the securitisation of a future income stream assumed to be realisable in 2022/23.

Looking at 2022/23 in isolation the council is anticipating spending £16m which will need to be financed from the capital receipt associated with the securitisation of the beach hut income stream. A separate report on this subject will be presented to July Cabinet supported by a specific scrutiny event.

As set out later in this report annual savings of £6.3m (£8.7m less £2.4m) have, as at the date of this report, been identified from the £7.43m investment in the transformation programme across 2020/21 and 2021/22.

12. Accumulating deficit on the Dedicated Schools Grant (DSG)

In April 2022 nine authorities, on top of a previous five, were told to make structural reforms to their special educational needs and disabilities (SEND) services in exchange for a government contribution towards their accumulated and projected deficits on their DSG. For example, Dorset Council (DC) will be given £42m over the period 2021/22 to 2025/26 as a contribution towards its projected DSG deficit which is expected to peak at £77.5m in 2026/27. The agreement requires DC to contribute £20m from reserves already earmarked for this purpose with the remaining £15.5m being funded from a combination of future council revenue budgets and through a school's block transfer of approximately £2.2m.

BCP Council has not been invited to be part of this "Safety Valve" arrangement instead we have been invited to take part in the governments "Delivering Better Value (DBV) in SEND" programme. This DBV is a 3-year voluntary transformation programme for authorities with growing deficits and is linked to Ofsted for those authorities with Written Statements of Action. Councils invited to be part of this programme will get access to resources to support the delivery of the reforms. DfE will not though provide any contributions towards their deficits.

As it stands the Council is having to cover the financial consequences of cash flowing the deficit. Additionally, there remains no indication that the government intend to extend beyond the 31 March 2023 the regulations which prohibit councils from recognising any financial consequence of the deficit. This means that the council could become liable for the accumulated deficit in the near future and need to tackle it from its own resources. The government are though aware that failure to extend the regulations could trigger widespread financial issues across the majority of local government and as such a national solution is needed.

A summary of the DSG deficit and its relationship to the Councils reserves is shown in Figure 2 below. The outturn of a cumulative DSG deficit of £20.3m as of 31 March 2022 was £0.4m lower than the £20.7m assumed as part of the 2022/23 budget report. Despite this and the more positive outturn for 2022/23 unless the regulations that allow the council to ignore the deficit on its DSG are extended the Section 151 Officer, and probably may others nationally, is likely to have to issue a section 114 notice for 2023/24 which would result in an immediate and severe curtailing of activity to the provision of non-statutory services.

Figure 2: Latest profile of estimated movements in reserves

	Balance Actual 31/3/21 £m	Balance Actual 31/3/22 £m	Balance Estimate 31/3/23 £m	Balance Estimate 31/3/24 £m	Balance Estimate 31/3/25 £m	Balance Estimate 31/3/26 £m	Balance Estimate 31/3/27 £m
Un-earmarked Reserves	15.3	15.3	16.0	16.7	17.4	18.1	18.8
Earmarked Reserves	153.8	114.4	55.7	19.7	17.7	17.9	17.9
Total General Fund Reserves	169.1	129.7	71.7	36.4	35.1	36.0	36.7
Dedicated Schools Grant (1)	(7.8)	(20.3)	(37.0)	(62.2)	(99.5)	(149.9)	(215.7)
Dedicated Schools Grant (2)	(7.8)	(20.3)	(37.0)	(57.6)	(80.2)	(102.3)	(121.7)
Net Position DSG1 – (Deficit)	161.3	109.4	34.7	(25.8)	(64.4)	(113.9)	(179.0)
Net Position DSG2 – (Deficit)	161.3	109.4	34.7	(21.2)	(45.1)	(66.43)	(85.0)

Total General Fund Reserves excludes the accumulating deficit (negative reserve) on the dedicated school's grant.

Line (1) represents how the DSG deficit would grow based on the current pattern of provision and growth, with no new state funded places being created beyond the 17 planned for September 2022 and further 60 from September 2023, and no actions to educate a greater proportion of pupils in mainstream schools.

Line (2) assumes that an additional 56 special school and resource-based places will be created in each of the 3 years following, starting from September 2024, that the growth in EHCPs will reduce from 10% per annum in 2021/22 to 5% from 2026/27, and the proportion of the growth in pupils educated in mainstream schools will increase from the current 10% to 50% in 5 years.

In both lines the same predictions for DSG funding growth have been used with the DfE providing the assumptions of 5% in 2023/24 and 3% for each year thereafter.

13. Refinance of BCP FuturePlaces Limited

A separate report which presents a revised business plan for BCP FuturePlaces Ltd is included elsewhere on this Cabinet agenda. In summary BCP FuturePlaces will no longer receive a guaranteed annual payment included in the revenue budget of the council. Instead, payments to the urban regeneration company will be by way of a professional fee on projects approved by the Council. This fee will then be capitalised as part of the costs of creating an asset and financed as per the specific project.

As part of the arrangement the Council will be asked to issue them with a working capital loan facility of circa £8m to cashflow the differential between costs being incurred and payment for successful project completion.

The approach increases the operational risk to the URC which will need to ensure that both the cost of their day business activity and costs incurred in bringing projects forward are covered by the professional fee on these projects and any other

income they are able to achieve. Ultimately this risk is retained by the council to the extent to which it is providing the working capital loan facility to the company.

It should also be highlighted that the Leader of the Council made a Portfolio Holder Decision in May to enable them to transition between the different methods of financing.

14. Assumed savings included in the base revenue budget for 2022/23

As part of the February 2022 budgeting setting report Council updated the profile of the savings to be delivered from the transformation investment programme by increasing the £7.5m assumed for 2021/22 by £1.2m to a target of £8.7m for 2022/23. These savings being broken down into 10 separate workstreams with the total estimate being in the range £26.7m to £43.8m with the higher end of the range continuing to be adopted in the overall financial planning of the authority.

At the time of setting the budget, of the £8.7m accumulated annual saving for 2022/23, £2.1m had already been delivered with the necessary adjustments to the budget made. A further £2.6m had been itemised which left £4m still to be itemised on a line-by-line basis.

As of 6 May 2022, a further £1.6m has been itemised which leaves £2.4m outstanding. Savings from the council's smarter structure process accounts for much of the additional itemised amount. In respect of the residual amount a significant proportion of this will be delivered by adopting a different operating model for the provision and management of business support services throughout the council.

In addition to the savings from the transformation investment programme the Council also budgeted for the delivery of £5.4m in service-based savings for 2022/23. A full listing was provided as Appendix 2b to the budget report and principally related to savings in Adults and Children's Services. Currently £2.7m of those savings are being flagged as at risk of delivery with this being the amount included in the cost of living and other service pressures work outlined earlier in this report. The £2.7m can be broken down as follows.

- £1.483m Children's Services Continuing Health Care contributions from health
- £0.750m Children's Services SEND Transport
- £0.469m Housing Services Council New Build Housing & Acquisitions Strategy

Ongoing management actions continues to be made in respect of these yet to be delivered savings.

15. Funding Gap for 2023/24 (Updated Medium Term Financial Plan Position)

Previous adjustments in respect of cost of services	23/24 £m	24/25 £m	25/26 £m	26/27 £m	Total £m
Adult social care inc public health	11.4	10.8	8.1	8.5	38.8
Children's services	5.9	8.4	9.0	9.6	32.8
Pay Award - 2% per annum	3.5	3.6	3.6	3.6	14.4
Proposed transfer of revenue costs to transformation	0.0	0.0	6.7	0.0	6.7
Operations and Development Services	(2.0)	3.4	2.4	1.9	5.7
Pay and Grading Project - net revenue impact	0.0	9.1	(4.5)	0.0	4.6
Debt - Additional Capital (MRP & interest repayments)	1.0	1.5	0.8	0.4	3.7
Transformation - ongoing revenue costs	1.1	0.0	0.0	0.0	1.1
Pension fund – tri-annual revaluation impact	0.2	0.2	0.2	0.2	0.9
Contingency	0.2	0.1	0.0	0.0	0.3
Carters Quay Housing and Regeneration Scheme	0.1	(0.1)	(0.3)	(0.1)	(0.4)
Resource services	(1.7)	(0.0)	0.1	0.0	(1.6)
Income impacted by COVID-19	(1.9)	(1.4)	0.0	0.0	(3.3)
Total previous adjustments in respect of cost of services	18.0	35.6	26.0	24.2	103.8
Previously assumed adjustments in respect of resource levels					
Council tax – revenue - 2.99% per annum (1.99% basic + 1% SC precept)	(6.8)	(7.1)	(7.4)	(7.7)	(29.1)
Council tax - taxbase	(3.0)	(2.6)	(1.3)	(1.3)	(8.2)
Specific / ringfenced government funding changes	(0.4)	(0.4)	(0.4)	(0.4)	(1.5)
Investment income	(0.6)	(0.1)	(0.1)	0.0	(0.7)
Collection fund – (surplus) / deficit distribution net of S31 grant	4.8	(3.5)	0.0	0.0	1.3
Core government funding changes	3.3	0.0	0.0	0.0	3.3
Use of reserves one-off - only possible for 2022/23	36.1	1.0	0.0	0.0	37.2
Total previously assumed adjustments in resource levels	33.5	(12.7)	(9.2)	(9.4)	2.2
Previously assumed additional savings, and efficiencies					
Transformation savings	(10.0)	(25.2)	0.0	0.0	(35.2)
Following transformation, further net FTE reductions	0.0	0.0	(7.2)	0.0	(7.2)
Scheduled service based savings (includes Adults and Childrens services)	(5.5)	(6.2)	(2.8)	(2.6)	(17.0)
Unidentified Adult Social Care savings (2.99% growth restriction)	(5.0)	(4.9)	(3.1)	(3.7)	(16.6)
Unidentified Children's savings (2.99% growth restriction)	(2.8)	(6.0)	(6.5)	(7.0)	(22.2)
Total assumed annual extra savings and efficiencies	(23.3)	(42.2)	(19.6)	(13.2)	(98.3)
Annual – Net Funding Gap (based February 2022 budget report)	28.2	(19.4)	(2.7)	1.6	7.7
Cumulative MTFP – Net Funding Gap (as at February 2022)	28.2	8.8	6.1	7.7	
Changes since the 2022/23 Budget was set					
Cost of Living Impact - Additional service costs	18.7	0.0	0.0	0.0	18.7
Cost of Living Impact - Additional mitigation measures	(20.6)	16.3	0.9	0.0	(3.4)
Amicable dissolution of the SVPP revenue & Benefits partnership	(0.6)	1.1	0.0	0.0	0.5
Loan to CCG for the One Dorset Pathology Unit cancelled	0.5	0.0	0.0	0.0	0.5
Reform of LG Finance delayed - LG Service Grant	(2.3)	2.3	0.0	0.0	0.0
Reform of LG Finance delayed - New Homes Bonus	(0.2)	0.2	0.0	0.0	0.0
100% premium on second homes	0.0	(5.3)	0.0	0.0	(5.3)
Empty homes premium commence after 1 as opposed to 2-years	0.0	(0.9)	0.0	0.0	(0.9)
Total changes since the 2022/23 Budget was set	(4.5)	13.7	0.9	0.0	10.1
Annual – Net Funding Gap (latest June 2022)	23.6	(5.7)	(1.8)	1.6	17.8
Cumulative MTFP – Net Funding Gap (latest June 2022)	23.6	18.0	16.2	17.8	

16. For scaling purposes, the 2023/24 funding gap which is after the 2.99% restrictions to the growth in Adults and Children's Services, amounts to 9% of the Councils £272m Net Revenue Expenditure.

17. Adjustments to the MTFP between February 2022 and June 2022

a) Stour Valley & Poole Revenue & Benefits Partnership

In line with the 12 January 2022 Cabinet report Dorset Council gave formal notice on the 30 March 2022 that they wish to dissolve the Stour Valley & Poole Revenue and Benefits Partnership on the 31 March 2023. The negotiated amicable agreement with DC includes a requirement for them to pay BCP an upfront cash contribution of £1.1m in recognition of the sunk costs, estimated at £465k per annum, that BCP will be liable for after the date of termination. The MTFP has been updated for these transactions. BCP Council will also retain the SVPP reserve which will be included once further due diligence has been undertaken further to the 2021/22 financial outturn and any associated exit costs

b) Loan One Dorset Pathology Unit

In November 2019 Council agreed to lend The Royal Bournemouth and Christchurch NHS Foundation Trust £14.9m to finance the One Dorset Pathology Unit. This arrangement was put in place to support the self-financing business case in an NHS operating framework where access to capital resources was severely restricted. During March 2022 the NHS regulatory bodies stepped in and provided the loan to ensure resources were kept within the NHS.

Consequently the loan which the council were going to provide them at a 3.5% interest rate will not now progress with a revenue impact of up to a £500k pressure in 2023/24.

c) Fundamental reform of Local Government Finance

The major local government funding reforms are likely to be delayed from 2023/24 into a future year, possibly 2024/25 or even later. A roll-over settlement is therefore now more than likely for 2023/24 with any unringfenced government funding, such as the revenue support grant, allocated on the same basis as 2022/23. Consequently, the MTFP has been updated to include the assumption of certain, what were considered one-off unringfenced grants for 2022/23, now also being received in 2023/24. Most notably

- New Homes Bonus – previously assumed zero for 23/24 - latest assumption another one-off additional year payment of £191k.
- Local Government Service Grant – previously assumed a £2.3m reduction - latest assumption that the funding will be rolled over into 23/24 for an additional year only.

d) Impact of the Levelling Up and Regeneration Bill

As part of the draft Levelling Up and Regeneration Bill announced by Government as part of the May 2022 Queens Speech the Government set out two significant changes in respect of council tax.

- 1) To reinforce the incentive for owners to bring empty properties back into use, to reduce the qualifying period for the empty homes' premium from two-years to one-year from 1 April 2024 onwards.

- 2) To support councils in addressing the impact of second homes, to provide authorities the power to levy a council tax premium of up to 100%. Dwelling occupied periodically (there is no resident of the dwelling, and the dwelling is substantially furnished). To levy the premium an authority will need first to make a determination at least one-year before the beginning of the financial year to which it relates. Therefore, the financial year 2024/25 is the first year it could be applied from provided the determination is made by 31 March 2023 and to enact the determination the authority must publish a notice in at least one local newspaper 21 days before the determination date.

The MTFP assumes that these flexibilities will be endorsed by the Council acknowledging that the Levelling Up and Regeneration Bill is yet to be passed by Government. The current estimate is that the council will generate an extra £0.9m from the empty home's premium and £5.3m from the second homes premium. The estimate has been arrived at by taking 75% of the current assumed position and allowing for extra administration costs. This estimate will be subject to significant further due diligence especially in respect of the interpretation of what will be classified as a second home and how the categorisation is determined. The forecast has been constructed based on local knowledge around homes that used to get the 50% second homes council tax discount updated for any subsequent information gathered. There is currently no incentive for homeowners to make the council aware that a property is a second homes as they pay the same council tax rate as if it was their main residence.

Financial Strategy to support delivery of the 2022/23 Budget

18. The budget for 2023/24 and the MTFP should be seen in the context of a rolling, evolving process structured to enable the ongoing proactive management and prioritisation of the council's resources.
19. As a relatively new council, setting the budgets in the first four years has been a challenge due to the lack of complete historic data and trend information for the council as a single entity. There has been and will be ongoing uncertainty around any information that is available due to the impact and long-term consequences of the Covid-19 global pandemic and now the cost-of-living crisis.
20. The key dates in the 2023/24 budget setting process can be set out as follows.

22 June 2022	Cabinet – Quarter 4 / Financial Outturn 2021/22
22 June 2022	Cabinet - MTFP update report (including financial strategy)
28 September 2022	Cabinet - Quarter 1 2022/23 budget monitoring report
26 October 2022	Cabinet - MTFP update report
November 2022	Budget Café 1 (all councillor presentations)
14 December 2022	Cabinet - MTFP update report (including annual review of earmarked reserves)
14 December 2022	Cabinet - Quarter 2 2022/23 budget monitoring report
11 January 2023	Cabinet - Council tax 2023/24 tax-base report
12 January 2023	Audit & Governance Committee (Treasury Management Strategy 2023/24)

2 February 2023	Presentation to representatives from Commerce and Industry
8 February 2023	Cabinet - 2023/24 proposed budget and council tax setting
8 February 2023	Cabinet – Quarter 3 2022/23 budget monitoring
21 February 2023	Council – 2023/24 proposed budget and council tax setting

21. The council's financial strategy in support of the 2023/24 budget was set out as part of the 2022/23 budget report. This strategy focuses on generating significant additional revenue receipts from new commercial models to avoid the service cuts that would otherwise be needed.

By way of an update although the Council has not yet been presented with any proposal seeking authorisation for any new commercial models, professional advice has been engaged by BCP FuturePlaces and is due to report back in the summer of 2022.

As highlighted in the 2022/23 budget report any proposals to use complex capital transaction as a mechanism for balancing the 2023/24 budget needs to be treated with a high degree of caution. This is on the basis that the Prudential Code for Capital Finance in Local Authorities as enshrined in law via the Local Government Act 2003 clearly prohibits local government investing for commercial gain (yield).

Additional complementary elements of the financial strategy include.

Increase the Councils Debt Threshold (CFR)

As part of the financial strategy supporting the development of the 2022/23 budget the council in September 2021 approved a revision to its self-imposed debt threshold. This change recognised that our borrowing of £457m as of 31 March 2021, represented 160% of our Net Revenue Expenditure (NRE), and was towards the lower end of the third quarter when compared to upper tier authorities including metropolitan boroughs. The decision was to move our debt threshold to 257% of our NRE which would move the council to the mid-point average and support a debt level of £855m. There were two main drivers for extending the Council's debt threshold.

1) To enable service-based capital expenditure to be financed from debt with the cost spread over the time period that will benefit from the expenditure.

2) To support the big plan objective including the delivery of regeneration and housing business cases which will provide an ongoing resource base for the authority, as a minimum, once the borrowing is repaid.

As at the 31 March 2022 the Council has increased its current actual borrowing position to £487m and has now committed over the five-year period to 31 March 2027 to using all the current £855m threshold including those decisions outlined in May 2022 Cabinet and Council reports. This includes decisions in respect of the Futures Fund £50m, Carters Quay £46m, Green Futures Fund £20m, SEND Capital £10m, the multi-year investments in the Council New Build and Housing Acquisition Strategy, and the capitalisation of neighbourhood highway maintenance up to and including 2025/26.

The proposal now is to increase the Council debt threshold to £1.334bn which will represent 387% of our NRE and position us at the top of the 3rd quarter when compared to upper tier authorities including metropolitan boroughs. This headroom will provide the Council with a further £479m to support delivery of its Big Plan. It will

be allocated based on prudent business cases that take account of risk, support the levelling up agenda, and will be particularly focused on the delivery of housing or extra care housing related schemes, be that via the councils housing revenue account, or any BCP FuturePlaces Ltd or Bournemouth Development Company LLP led projects. It will not be invested in any commercial for yield activity.

Self-imposed debt levels are set against the Councils Capital Financing Requirement (CFR). Such levels are a requirement of the CIPFA Prudential Code and link into the prudential indicators agreed by Council based on recommendations of the Audit and Governance Committee who are responsible for the Treasury Management Strategy.

Following recommendations from the Public Accounts Committee CIPFA updated the Prudential Code in August 2021. One of the notable changes was that borrowing to fund solely for yield generating investments, from whatever funding source, is not permissible under the code as they represent an unnecessary risk to public expenditure. Borrowing to support service-based proposals, regeneration and housing continue to be permitted under the code. In these instances, authorities are advised to consider carefully whether they can demonstrate value for money and whether they can ensure the security of such funds. It should be noted that whilst some parts of a regeneration project may generate net income this income should be recycled within the project or applied to related regeneration projects, rather than applied to wider services.

DLUHC have made it clear that local authorities taking on excessive risk and any non-compliance with the framework will see increased interventions from government potentially leading to caps on borrowing. DLUHC also made it clear that they planned to better constrain the risks associated with complex capital transactions. This included credit arrangements, such as PFI deals or income strips, and financial derivatives. These types of arrangement can carry more risk than traditional forms of financing and require the right expertise to support effective decisions and risk management.

As part of this tightening DLUHC on the 12 May 2022 announced as part of its Levelling Up and Regeneration Bill, the proposal to address excessive risk arising from local authority investment and borrowing, while supporting local freedoms for investment. They propose a set metrics for local authorities including the following:

- proportionality of debt compared to the financial resources at the disposal of the authority.
- proportion of capital assets which are investments taken out to generate net financial return or profit.
- Whether the authority is meeting its statutory duty to make sufficient provision for debt repayment.
- proportion of debt held where the counterparty is not local or central government including credit arrangements and loans.
- Any other metric specified by regulations made by the secretary of state.

The proposals set out above also coincide with a further update to Public Works Loan Board (PWLB) guidance to address lending to authorities where there is a more than negligible risk of non-repayment. HM Treasury will be reviewing authorities that raise concerns and could mean limiting the loan term length generally offered or restricting lending altogether.

The Levelling Up and Regeneration Bill published on the 11 May 2022 proposes to amend the LG Act 2002 to give the Secretary of State powers to issue a “risk mitigation direction”. This could be issued if a council receives a section 114 notice, receives a capitalisation direction, or breaches one of the five capital risk thresholds set out above. Such directions could direct asset sales and limit council borrowing levels.

Audit and Governance Committee will be requested to endorse the further extension of the council's debt threshold as part of the Treasury Management Outturn report for 2021/22 at its July meeting. Assuming their endorsement the request will be presented to the 13 September Council meeting.

Recognising the acute financial challenges in the Councils current and future year budgets and demonstrating fiscal discipline it is recommended that no further borrowing is undertaken which is not supported by a self-funding business case. Therefore, it is recommended that no further commitments to debt be taken on which would require the general fund budget of the council to finance the revenue implications of taking on that additional debt.

Review of the Councils Collection Funds

The proposal is to undertake a fundamental and detailed review of the collection funds, both Council Tax and Business Rates, as the position starts to stabilise in a post pandemic environment.

Review of Earmarked Reserves

Annual review of earmarked reserves to ensure funds are not being tied up unnecessarily and where appropriate being released to support the proposed budgets of the council. The mitigation in support of the 2022/23 cost of living crisis already make provision for the significant release of earmarked reserves.

Levelling Up Implications

22. The government's ambition to level up the United Kingdom is about levelling up opportunity and prosperity and overcoming deep-seated geographical inequalities. It is also about levelling up people's pride in the places they love and seeing that reflected in empowered local leaders and communities.
23. On the 13 April 2022 BCP Council received notification of a three-year allocation (2022/23 to 2024/25) of £4.196m from the UK Shared Prosperity Fund (UKSPF) and for £1.723m for the adult numeracy programme (Multiply). An overall total of £5.919m.
24. The funding is designed to support three local priorities: communities and place, support for local businesses, and people and skills.
25. The council is now required to develop and submit to Government an investment plan with partners to set out how the funding will be targeted on local priorities and against measurable goals. This investment plan, once approved by Government, will allow the council to drawdown, and use the funding.

Options appraisal

26. This report considers current and future financial sustainability. Any consequential savings or efficiency plans that are developed will each need to be tested to determine the extent to which alternative options exist.

Financial Implications

27. The financial implications of the MTFP and budget work now in hand are as outlined within the report.
28. The background documents section of this report provides a link to both the 2022/23 Budget Report and the associated statutory section 25 report from the Chief Financial Officer (CFO) which highlighted the numerous risks each of significant value taken in constructing the 2022/23 budget. Consequentially the CFO suggested an alternative budget configuration which he considered would better support the Council in 2022/23 and future years. Councillors duly considered and rejected the recommendations of the CFO.

Summary of legal implications

29. The council has a fiduciary duty to its taxpayers to be prudent in the administration of the funds it holds on their behalf and an equal duty to consider the interests of their community which benefit from the services it provides.
30. It is the responsibility of councillors to ensure the council sets a balanced budget for the forthcoming year. In setting, such a budget councillors and officers of the council have a legal requirement to ensure it is balanced in a manner which reflects the needs of both current and future taxpayers in discharging these responsibilities. In essence, this is a direct reference to ensure that Council sets a financially sustainable budget which is mindful of the long-term consequences of any short-term decisions.
31. As a billing authority, failure to set a legal budget by 11 March each year may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999. It should however be noted that the deadline is, in reality, the 1 March each year to allow sufficient time for the council tax direct debit process to be adhered to.

Summary of human resources implications

32. There are no direct human resource implications of this report. However, the MTFP and budget will have a direct impact on the level of services delivered by the council, the mechanisms by which those services are delivered and the associated staffing establishment.
33. This report acknowledges that the transformation programme and the actions necessary to manage future years funding gaps are likely to have an impact on future staffing levels.

Summary of sustainability impact

34. Consideration was given as part of the budget for 2022/23 of ways in which BCP Council could contribute to environmental improvements / targets and by example encourage this approach in those with whom it deals.
35. The 2022/23 budget included a £480,000 annual commitment in support of climate change and the climate and ecological emergency activity. In addition, it created a £20m Green Futures Fund to invest in local green infrastructure projects and support delivery against the commitment to be carbon neutral by 2030.
36. The accommodation and business transformation programmes underlying the MTFP will make the council more environmentally friendly through a reduced estate and

different ways of working, including the continued ability for staff to work effectively from home. This will reduce energy consumption and pollution levels as well as produce savings to protect services.

37. In addition to the environmental and social impacts of climate change, there is a risk to BCP Council of significant financial consequences if it fails to meet its declared climate targets. Council has pledged to become carbon neutral by 2030 as an organisation and lead the area to become net zero carbon ahead of the 2050 national target. Based on previous forecasts from the London School of Economics the council would have to incur costs of over £3m per annum to purchase the necessary offsetting carbon credits to meet the carbon neutral pledge in 2030. Clearly this cost will act as an incentive to the council to prioritise the activity and investment necessary to meet this priority.

Summary of public health implications

38. The 2022/23 budget included the aim to assist the council and its community address the legacy consequences of the global Covid-19 public health emergency.
39. Council continues to seek to maintain appropriate services for vulnerable residents as well as improve the sustainability of services important for the wellbeing of all residents.
40. Allowance continues to be made in the budget for personal protective equipment to protect staff and residents to ensure compliance with all guidance to be issued by Public Health England over time.
41. The Department of Health and Social Care have announced the public health grant allocations for 2022/23. Nationally the grant will be £3.417 billion a rise of 2.8% in cash terms. Locally public health is delivered via a pan Dorset service arrangement in partnership with Dorset Council. The local increases were as follows.

BCP Council £20.6m (£20.1m 2021/22)	2.8% increase
Dorset Council £14.6m (£14.2m 2021/22)	2.5% increase

Summary of equality implications

42. A full equalities impact assessment will be undertaken as part of the final February 2023 report to members as part of the annual budget process.

Summary of risk assessment

43. A significant level of uncertainty is associated with the government's financial planning framework, which delivered annual settlements for both 2021/22 and 2022/23 rather than the intended three-year timeframe.
44. Significant new models of funding local government are expected to impact over the MTFP period. This includes implementing changes signalled well before the start of the pandemic for business rates and adult social care, with it not yet possible to estimate the financial outcome for the council. It appears these models are highly unlikely to be implemented in 2023/24.
45. Significant assumptions have been made regarding the level of demand for council services, the associated costs, and the timing and level of savings to be delivered by the transformation programme and the implications of the cost-of-living crisis.

46. Specific risks assumed in the 2022/23 budget which will need to be continually monitored to determine their likely impact on the overall and ongoing financial resilience of the council include.
- Accumulated and growing deficit on the dedicated school's grant which for 2023/24 will be greater than the total reserves available to the council. Unless the current regulation that allows the council to ignore this position is extended this will mean the councils 151 Officer, and probably many others nationally, will be required to issue a s114 notice.
 - The underlying structural deficit with specific reference to the forecast £23.6m funding gap for 2023/24 which is 16% lower than the £28.2m assumed as part of the February 2022 budget report for 2022/23. It should be stressed that this assumes that the majority of the extra resources made available as part of the 2021/22 outturn is required to cover the currently assumed additional costs that will fall on the authority due to the cost-of-living crisis.
 - Requirement to deliver the savings assumed in both the 2022/23 budget and those assumed in the MTFP. As at the date of this report £2.4m of annual transformation savings and £2.7m of annual service-based savings remain to be delivered in 2022/23. Looking forward to 2023/24 the MTFP assumes an additional £10m of annual transformation savings (£18.7m cumulative annual total), a further £5.5m in itemised service-based savings, and £7.8m savings specific to the 2.99% growth restriction in Adults and Children's services, will need to be delivered.
 - The MTFP assumes that the council will generate £61.1m of capital receipts to fund the council's transformation programme via the flexible use of capital receipts regulations. Current profiling shows that £16m needs to be financed in 2022/23 from the securitisation of the beach hut income stream.
 - As highlighted in section 10 of this report DLUHC are reflecting on the councils' proposals to generate capital receipts from the disposal of beach huts.
 - At £16m the unearmarked reserves of the council are currently below the recommended 5% CIPFA minimum level.
 - Commitments to debt are currently at the council's threshold level accepting that a significant number of the underlying schemes are yet to commence. No further schemes which it is proposed be financed by borrowing can be agreed until such time as the debt thresholds have been extended by Council.
 - The delivery stage of a significant number of council capital projects are likely to commence or be built out in a period of high inflation and increasing interest rates. The viability of these schemes will need to be kept under constant review.
 - Government continues to tighten the legislative framework governing local authorities' ability to borrow as evidenced by provisions in the draft Levelling Up and Regeneration Bill, and update to both the Public Works Loan Board (PWLb) guidance and Prudential Code.
 - Social Care reforms will levy significant new responsibilities on local authorities as well as introducing a cap on care costs. There is a risk that the Government grant will be insufficient to cover the full cost associated with these reforms and the staffing needed to enable their delivery.

Background papers

47. February 2022 Budget report to Council

Appendix 3 s25 Reserves Report CFO

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=284&MId=4812&Ver=4>

Appendices

A MTFP timeline

B 2022/23 Variances from budget

C Benchmarking – Unearmarked Reserves

D Benchmarking – Capital Financing Requirement (Debt)

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Key Financial Reports - 2022/23 Budget Monitoring & 2023/24 Budget Timeline

Date	Event	Report Title / Action	Detail
22 June 2022	Cabinet	Medium Term Financial Plan (Update)	To include. <ul style="list-style-type: none"> • Update on MTFP • Impact of the Cost of Living • Proposed financial strategy including proposed revised debt cap • Budget process
22 June 2022	Cabinet	Financial Outturn Report 2021/22	Summary report covering the financial outturn for the third year of operation of BCP Council 2021/22.
31 August 2022		Corporate Directors & Service Directors	Deadline to produce a refresh of the MTFP baseline financial resource requirements for each service for the five-year period to the 31 March 2028
28 September 2022	Cabinet	Quarter One 2022/23 Budget Monitoring Report	First quarter (April to June) budget monitoring for 2022/23.

Date	Event	Report Title / Action	Detail
26 October 2022	Cabinet	Medium Term Financial Plan (Update)	To include. <ul style="list-style-type: none"> fundamental refresh of the MTFP progress towards delivering a balanced budget for 2022/23
27 October 2022	Audit & Governance	2021/22 Statement of Accounts	Report presents the 2021/22 statement of accounts for BCP Council including the Annual Governance Statement.
November 2022		Budget Cafe	All Councillor Seminar
14 December 2022	Cabinet	2022/23 Budget Monitoring & MTFP Update	To include. <ul style="list-style-type: none"> second quarter (July to September) in-year budget monitoring progress on setting a balanced budget for 2023/24 details of annual fundamental review of earmarked and unearmarked reserves.
11 January 2023	Cabinet	Council Tax - Taxbase Report	2023/24 Council Tax Taxbase
12 January 2023	Audit & Governance	Treasury Management Strategy 2023/24	Seek approval for 2023/24 treasury management strategy

Date	Event	Report Title / Action	Detail
February 2023		Presentation to representatives from Commerce & Industry	Statutory consultation on 2023/24 Budget & MTFP
8 February 2023	Cabinet	Quarter Three 2022/23 Budget Monitoring	Third quarter (October to December) budget monitoring for 2022/23.
8 February 2023	Cabinet	2023/24 Budget & MTFP Update	To include. <ul style="list-style-type: none"> • 2023/24 Provisional Local Government Finance Settlement • 2023/24 Budget Proposal • 2023/24 Council Tax Resolution
8 February 2023	Cabinet	Housing Revenue Account (HRA) 2023/24 Budget Setting	Seeks approval for the Housing Revenue Account (HRA) which is the separate account that ring-fences the income and expenditure associated with BCP Council's housing stock. Includes rents, service charges and other charges to tenants.
8 February 2023	Cabinet	Dedicated Schools Grant (DSG) and Early Years Funding Formula 2023/24	Setting the 2023/24 funding formulae for early education and childcare for eligible 2 year olds and all 3 and 4 years olds, mainstream schools for pupils in reception to year 11.

Date	Event	Report Title / Action	Detail
21 February 2023	Council	2023/24 Budget & MTFP Update Report	Formal approval of the following; <ul style="list-style-type: none"> • General fund 2023/24 budget and council tax • Education and childcare funding formula • Housing Revenue Account 2023/24 budget and tenant charges.
March 2023	n/a	n/a	Publish 2023/24 Budget Book
July 2023	Cabinet	2022/23 Financial Outturn Report	Summary report covering the financial outturn for the third year of operation of BCP Council 202/23.

Subject to determination

- The 2022/23 budget monitoring reports and the 2023/24 MTFP Budget reports will be subject to consideration by the Corporate and Community Overview and Scrutiny Committee.
- Dates of the precept meetings for the Town, Parish and Neighbourhood Councils in Christchurch and the Chartered Trustees in both Bournemouth & Poole

Appendix A1: 2022/23 - Budget Variances Greater than £100,000

Adult Social Care & Public Health

Budget	Explanation	May Variance 2022/23 £000s
Cost of Living and Other Service Pressures		
Third Party Payments	Care costs	1,800
Third Party Payments	Tricuro contract impact of cost of living including energy prices	171
Various	Other miscellaneous pressures (each less than £100k)	29
Savings, Efficiencies and Mitigations		
Income	Estimated additional Continuing Health Care income	(500)
Reserves	Utilisation of earmarked reserves specific to the service	(415)
Third Party Payments	Adjustment to the residential and homecare budget from Covid grants	(257)
Employee costs	Directorate vacancy factor 6% rather than 5%	(200)
Third Party Payments	Tricuro efficiencies to manage energy cost pressure	(171)
Total Adult Social Care & Public Health		457

Children's Services

Budget	Explanation	May Variance 2022/23 £000s
Cost of Living and Other Service Pressures		
Third Party Contributions	Continuing Health Care contributions from health assumed in the 2022/23 based budget not delivered	1,483
School Transport	Non-delivery of SEND Transport savings assumed in the 2022/23 base budget	750
School Transport	SEND / Mainstream transport contract costs due to the cost of living including fuel prices	500
Electricity/Gas costs	Assumed price variations	182
Total Children's Services		2,915

Operations

Budget	Explanation	May Variance 2022/23 £000s
Cost of Living and Other Service Pressures		
Electricity/Gas costs	Assumed price variations	3,261
Environment	Crematorium income pressure	500
Housing	Council New Build Housing Acquisition Strategy (CNHAS) saving assumed in the 2022/23 base budget	469
Environment	Hydrotreated Vegetable Oil (HVO) costs	400
Environment	Volume of waste bins that need replacement	200
Destination & Culture	BH Live	200
Housing	Housing related support contracts inflationary clause	150
Environment	Waste Disposal Contract	150
Coroners	Increased / complex caseload	100
Various	Other miscellaneous pressures (each less than £100k)	360
Savings, Efficiencies and Mitigations		
Environment	Sales of recyclate material – value and volume	(1,000)
Environment	Capitalisation of neighbourhood highways costs reduced by associated repayment and borrowing costs	(930)
Transportation	Car Park income budget adjustment to reflect previous year's performance	(691)
Environment	Defer move to HVO fuel across corporate fleet assets (cost avoidance)	(400)
Transportation	Beach car park tariffs increased	(359)
Housing	Additional one-off dividend from Bournemouth Building Maintenance Ltd (agreed with BBML Director approval)	(200)
Environment	Resilience Signage Network revised cleansing arrangements	(200)

Budget	Explanation	May Variance 2022/23 £000s
Destination & Culture	Cultural Compact	(129)
Destination & Culture	Festival Coast Live	(125)
Communities	Utilisation of the Community Prosecutions Earmarked Reserve	(105)
Environment	Sales of waste material from the Household Waste Recycling Centres	(100)
Housing	Harmonisation of recharges to the two HRA neighbourhood accounts	(100)
Housing	Homelessness Prevention Grant utilised to cover budgeted costs	(100)
Communities	Reduced Security Provision	(100)
Destination & Culture	Cultural development and networking	(100)
Various	Other miscellaneous variances (each less than £100k)	(1,042)
Total Operations		109

Resources

Budget	Explanation	May Variance 2022/23 £000s
Cost of Living and Other Service Pressures		
Electricity/Gas costs	Assumed price variations	493
Third Party Payments	Software contracts inflationary clause	171
Customer Services	Library PFI Contract inflationary clause	150
Total Resources		814

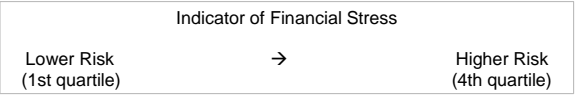
Central Items

Budget	Explanation	May Variance 2022/23 £000s
Cost of Living and Other Service Pressures		
Employee Costs	Assumption that the pay award will be 4% which is 0.9% greater than the 3.1% provided for in the 2022/23 budget.	1,595
Employee Costs	Assumed 20% element of transformation related redundancy costs which cannot be funded from the Flexible Use of Capital Receipts in line with the regulations which apply from 1 April 2022 onwards.	250
Various	Other miscellaneous pressures (each less than £100k)	(34)
Savings, Efficiencies and Mitigations		
Earmarked Reserve	Release Transformation Mitigation Earmarked Reserve not utilised as planned in 2021/22	(1,949)
Grant Income	Contain Outbreak Management Fund resources that the Council is able to carry forward into 2022/23 to fund previously planned expenditure	(1,437)
Grant Income	Anticipation that the final reconciliation of the Covid 19 Sales, Fees and Charges grant claim will be approved by government	(1,402)
Income	Additional Treasury Management Income due to higher interest rates and the additional money made available to the council in advance of spend.	(800)
Financial Services	Stour Valley and Poole Partnership Revenue and Benefits (SVPP) – release of the 2021/22 operational	(435)
Earmarked Reserve	Release part of the additional 2021/22 surplus to support the impact of the cost-of-living crisis on the council.	(83)
Total Corporate Items		(4,295)
Total	All Services and Central items	0

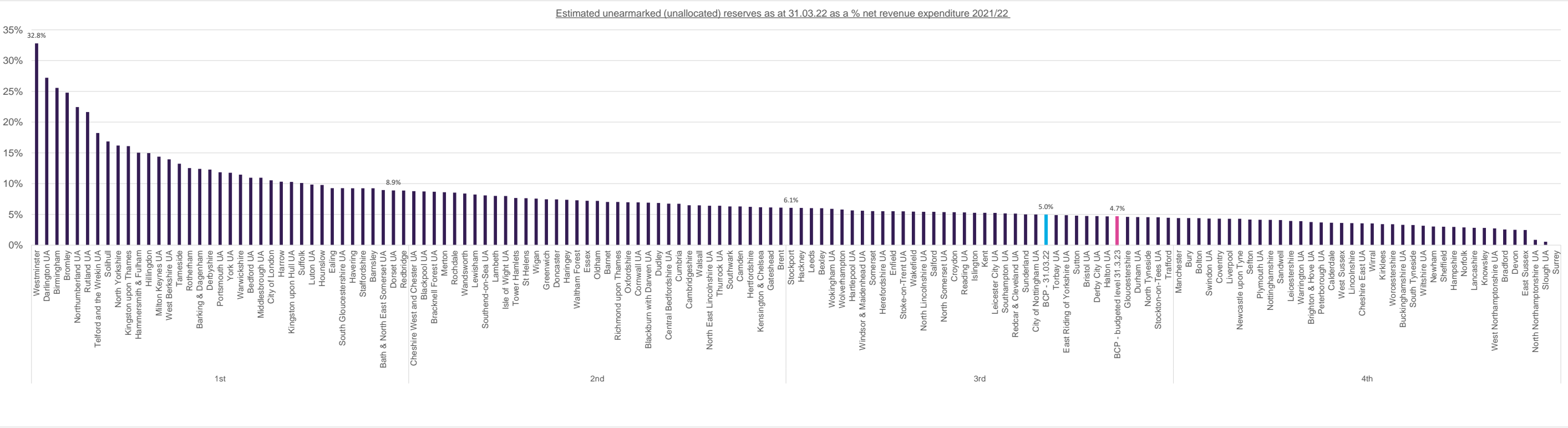
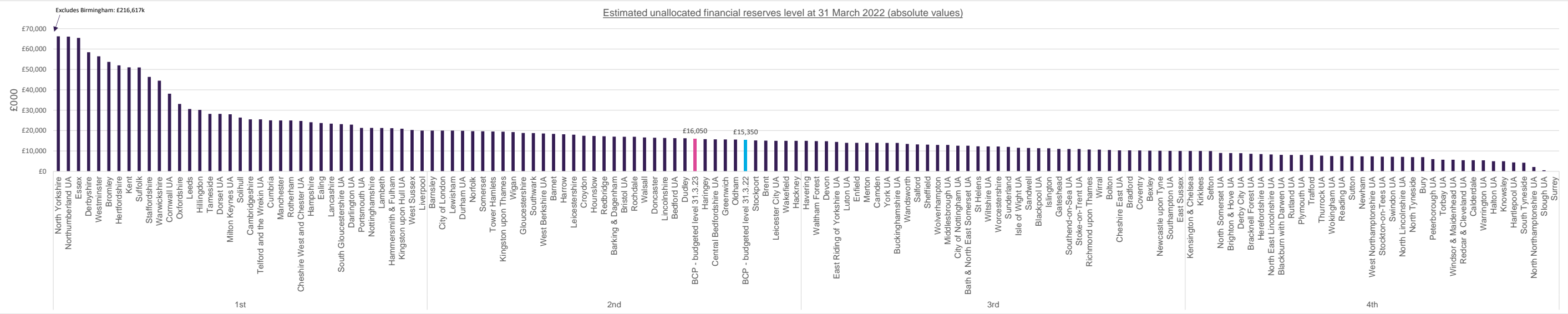
APPENDIX C: Benchmarking – Unearmarked Reserves

COMPARISON GROUP: UPPER TIER LOCAL AUTHORITIES

SOURCE: LOCAL AUTHORITY REVENUE ACCOUNT (BUDGET RETURN) 2021/22



1) LEVELS OF RESERVES

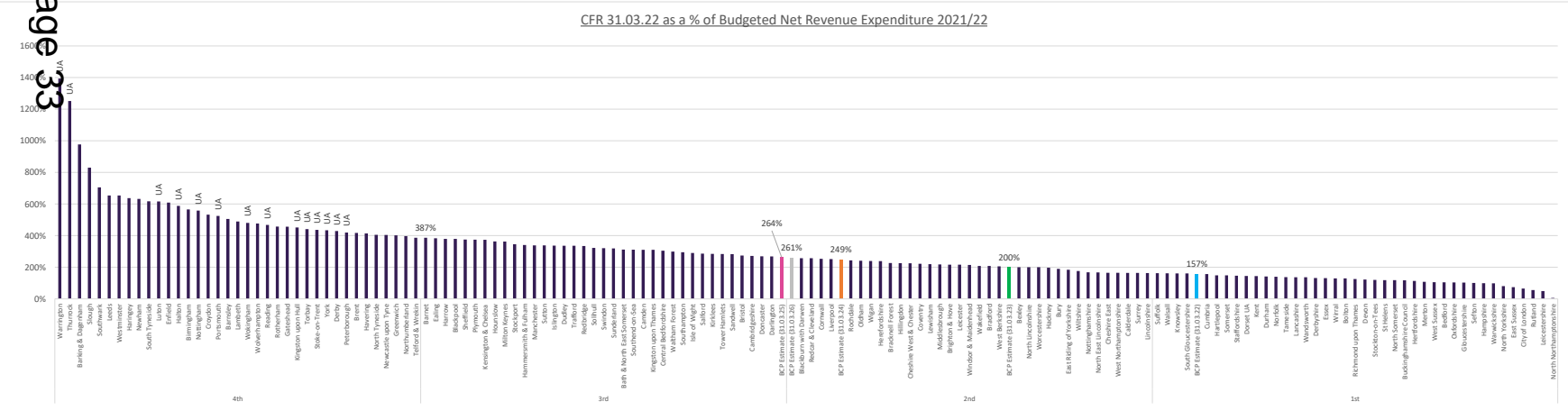
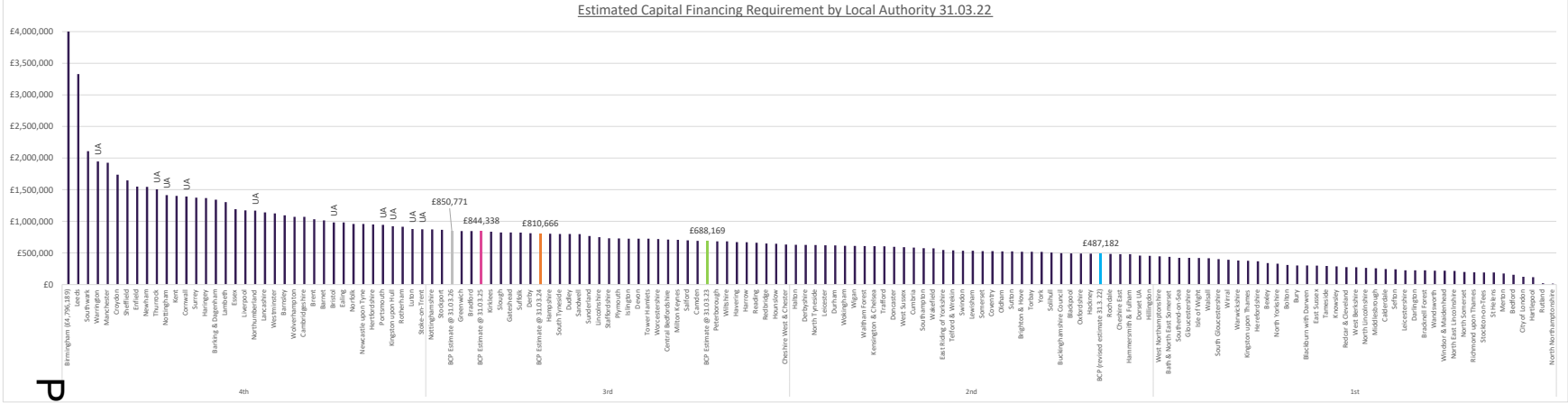


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COMPARISON GROUP: ALL UPPER TIER AUTHORITIES (INC. LONDON BOROUGHS)

Source data: CER C 2021-22: Prudential system information by authority & category, England, 2021-22
Local Authority Revenue Account (RA) (Budget) Return 2021-22

CAPITAL FINANCING REQUIREMENT (CFR) BENCHMARKING



CFR HEADROOM

	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
Estimated CFR	£487,182	£688,169	£810,666	£844,338	£850,771
Headroom (@ £855m)	£367,818	£166,831	£44,334	£10,662	£4,229
Headroom (@ £1.133bn)	£846,764	£645,777	£523,280	£489,608	£483,175

387% net revenue expenditure, based on 2022/23 budget

£1,333,946

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CABINET



Report subject	2021/22 Outturn Report
Meeting date	22 June 2022
Status	Public Report
Executive summary	<p>This report provides details of the final financial outturn for the revenue account, capital programme, reserves, and the housing revenue account (HRA) for the financial year 2021/22.</p> <p>The general fund revenue outturn is a surplus of £6.8 million for the year, of which £3.3 million has already been allowed for in the budget for 2022/23. It is proposed that the balance of £3.5 million is transferred to the financial resilience reserve to mitigate the emerging in-year cost of living inflationary pressures. The position compared with quarter three reflects faster income recovery after Covid and higher expenditure savings, with some efficiencies now recognised from the transformation programme.</p> <p>This improvement has meant that resources previously earmarked to support net overspending across services can instead be carried forward to support the cost of living crisis and medium term financial plan (MTFP). The statutory requirements are that the council undertakes prudent financial planning as evidenced by delivery of a highly positive outturn</p>
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ol style="list-style-type: none"> 1. Recommend to Council that the final revenue surplus for the year of £6.8 million is added to financial resilience reserve with the extra £3.5m not assumed in the 2022/23 budget being used to mitigate the emerging inflationary cost of living pressures. 2. Approves the capital virements to accept new government grants as set out in paragraph 96. 3. Recommend Council approve the capital virement as set out in paragraph 97.
Reason for recommendations	<ul style="list-style-type: none"> To comply with accounting codes of practice and best practice which requires councils to report their end of year financial position compared with the budget of the authority. To comply with the council's financial regulations regarding budget virements and the acceptance of new grants.

Portfolio Holder(s):	Councillor Drew Mellor, Leader, Finance & Transformation
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Adam Richens, Chief Finance Officer and S.151 Officer Adam.richens@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Decision

Background

1. In February 2021 Council agreed the annual general fund net revenue budget of £241 million and a capital programme of £125 million. Budgets were also agreed for the housing revenue account (HRA).
2. At quarter three the projected revenue budget surplus was £9.1 million within services. This was due to Covid and other pressures of £11.1 million, loss of net transformation savings of £3.7 million, partially offset by £5.7 million of additional income and grants.
3. The services overspend was offset by releasing the central unused budget contingency and by positive largely one-off central items. These included additional grants, refinancing the capital programme and release of the uncommitted Covid pressures grant into the revenue account. This forecast position allowed £3.3 million of the grant to be carried forward in reserves to support the 2022/23 budget.

Revenue Outturn at March 2022

4. The 2021/22 revenue outturn is a surplus of £6.8 million, with services making efficiencies of £6.2 million and central budgets providing a surplus of £0.5 million. Summary reasons for budget variances are included in figure 1 below:

Figure 1: Summary Budget Variances 2021/22

Q3 Projection	Budget Variances	Outturn
£m		£m
8.5	Covid related pressures	9.1
2.6	Net service pressures / savings	(7.2)
(2.5)	Income recovery	(7.3)
(3.2)	Grants replacing base budget or overspend	(2.9)
3.7	Transformation net savings shortfall	2.1
9.1	Service budget variances	(6.2)

Q3 Projection	Budget Variances	Outturn
9.1	Service budget variances above	(6.2)
(0.6)	Interest	(0.8)
(2.9)	Refinancing of the capital programme	0
(1.4)	Release sales, fees, and charges provision from 2020/21	0
(1.3)	Extra sales fees and charges grant 2021/22	(1.3)
(2.6)	Release of uncommitted contingency / provisions	(3.3)
(0.4)	Dividend from the local authority trading company (Tricuro)	(0.4)
(0.2)	Net other changes	0
5.2	Provision for shareholding in joint venture company	5.2
(8.2)	Covid pressures grant tranche 5 released to revenue	0
(12.4)	Central budgets	(0.5)
(3.3)	Transfer to reserves	(6.8)

5. Services are expected to deliver within the envelope of their annual budget. The previously reported projected overspend of £9.1 million at quarter three has improved to a surplus of £6.2 million at outturn.
6. Across services in quarter four Covid-related cost pressures increased by £0.6 million, due largely to increased care costs in adult social care and children's services, and grants to support the budget reduced by £0.3 million. These new pressures were offset by net service savings (£9.8 million), a significant improvement in income recovery (£4.8 million) with delivery of transformation savings (£1.6 million).
7. The improved position is across all directorates except for children's services where there has been a small increase in the annual overspend. It was recognised early in the year that children's services needed extra resources to manage increased social care demand from the impact of higher care and employee costs and from the impact of Ofsted inspections. As the number one priority area for this Council these resources were made available.
8. Place operations at quarter three were forecasting a budget surplus and this improved further by £8.8 million in the final quarter. Income recovery from Covid continued to exceeded expectations, particularly for carparking, seafront, attractions, and leisure activities. Expenditure was lower than anticipated in areas such as seafront maintenance and housing. Anticipated savings increased further in waste services from below budget tonnages, collection costs and disposal prices. In addition, some expenditure budgeted as revenue within engineering and environment has been charged instead to the capital programme following a corporate review of national practice.
9. In adult social care, a small overspend projected at quarter three has been replaced by a positive movement of £4.1 million to deliver a surplus. This is largely from ongoing recruitment difficulties, contributions from the NHS for care packages as progress has been made in clearing the backlog of assessments and previously anticipated care demand not materialising.
10. The mitigation strategy developed to balance the previously projected overspend is no longer needed. This means that the full unbudgeted £8.2 million of the Covid pressures grant tranche 5 can be transferred to reserves and the £1.4 million provision for lost sales, fees and charges is not needed to be drawn down. In addition, the £2.9 million secured through refinancing the capital programme can be

transferred to reserves. These resources can instead be used to support the cost-of-living pressures.

11. The surplus of £6.8 million is available to transfer to the financial resilience reserve to support the 2022/23 budget as planned and to support cost of living inflationary pressures.

12. A summary of the revenue outturn position is shown in Figure 2 below.

Figure 2: General Fund – Summary Revenue Outturn - 31 March 2022

Q3 Variance	Directorate	Revenue	Budget	Outturn	Variance
	Adult Social Care	Expenditure	218,346	228,307	9,961
		Income	(101,634)	(115,131)	(13,497)
543	Adult Social Care		116,712	113,177	(3,536)
	Children's Services (excluding the Dedicated Schools Grant)	Expenditure	82,305	90,750	8,445
		Income	(12,017)	(11,105)	912
9,119	Children's Services		70,288	79,645	9,357
	Place Operations	Expenditure	150,085	168,639	18,554
		Income	(92,527)	(124,917)	(32,390)
(5,020)	Place Operations		57,558	43,722	(13,835)
	Resources & Chief Executive Office	Expenditure	163,268	163,989	721
		Income	(114,702)	(115,831)	(1,129)
802	Resources & Chief Executive Office		48,567	48,159	(408)
5,444	Net Cost of Services		293,125	284,703	(8,422)
	Transformation (including target savings)	Expenditure	22,537	2,621	(19,916)
		Income	(22,049)	0	22,049
3,690	Transformation Total		488	2,621	2,133
9,134	Net Service Outturn		293,613	287,324	(6,289)
(12,392)	Corporate Items - set out in Appendix A2		(51,398)	(50,883)	515
(3,258)	Total Budget		242,215	236,442	(5,773)
0	Total Funding - set out in Appendix A2		(242,215)	(243,247)	(1,032)
(3,258)	Net Outturn		0	(6,805)	(6,805)

13. The detail of projected variances is included in Appendix A1. A general fund summary is included in Appendix A2.

Summary of 2021/22 projected outturn by directorate

14. The following paragraphs summarise the projected 2021/22 budget position for each directorate.

Adult Social Care - net surplus £3.5 million (3%)

15. The ASC overspend has reduced from a projected £0.5 million overspend at quarter three to a surplus at outturn of £3.5 million. There has been an increase in the cost of care related to hospital discharges, however this is offset from additional savings delivered by the local authority trading company (Tricuro) and additional income from client contributions, NHS funding from delayed continuing health care (CHC) assessments, further savings from employee vacancies and other efficiencies in contractual arrangements and running costs.
16. The cost of care directly related to hospital discharges increased by £1.2 million to £2.7 million. Care home costs continue to be above budget because of market forces and home care packages are larger as patients leave hospital early with greater needs. The additional spend also includes support for people who have not recovered within the government-funded period for the hospital discharge programme, those who continue to have high support needs and are awaiting CHC assessment and others in higher cost temporary care awaiting long-term placements to be found in a market with little availability.
17. The overspend previously projected for care packages from the community has reduced by £2.3 million to a budget surplus of £0.1 million. The shortage of care market supply is ongoing, particularly for people with complex needs, meaning that people are waiting longer for suitable accommodation and care to meet their needs. Some people due to be discharged from hospital settings have remained in hospital longer than planned and others have continued to be cared for by family at home for longer than anticipated. Other factors contributing to the underspend include the 'moving on from hospital living' pooled budget risk share arrangement with the NHS which has been favourable to the council this year. In addition, a dispute over responsibility for funding has been resolved, resulting in the recovery of costs from another local authority.
18. The total saving from Tricuro increased by £0.8 million to just under £1 million for the year in total. This was from day services which did not reopen in full following the pandemic with savings in building and staffing costs.
19. The budget surplus for service user contributions reduced from £0.5 million to £0.4million.
20. During the last quarter there has been a catch up on NHS assessments for CHC eligibility following the freeze imposed during the pandemic. As a result, income from the NHS to recover care costs paid by the council prior to a positive assessment increased from a projection of £0.4 million to £1.7 million at outturn.
21. The employee related savings have increased from £1 million to £1.4 million in the last quarter. Due to expenditure management across the council during the pandemic, vacancies have reached unprecedented levels in ASC. Whilst recruitment activity has been taking place, there is an ongoing shortage of suitable candidates. Waiting lists for social care support are longer than usual and there is a backlog of commissioning activity. In addition, during the last quarter, use of external funding to support employee costs has continued where possible, reducing the call on the base budget.

22. Further savings of £1 million are due to slippage in deprivation of liberty safeguards assessments, resolution of disputed service level agreements, delay in awarding some contracts to the voluntary sector, use of equipment, savings in the internal social work training services and other miscellaneous budgets.

Children's Services - net overspend £9.4 million (13%)

23. Children's services spent £0.2 million more than anticipated at quarter three.
24. The projected overspend relating to the cost of care has increased from £4.0 million at quarter three to £4.5 million. There are still clear national, regional, and local cost pressures that reflect increased demand for all placement types, specifically for children with very complex needs, with rising costs for individual packages. These pressures will continue to be scrutinised and managed at pace during 2022/23.
25. The other area of significant pressure is staffing. The total year end forecast variance is £6.1 million (65% of the overspend). There continues to be considerable local and national market difficulties in the recruitment of permanent social workers causing the continued and increased use of higher cost agency staff against established posts within social care. The recent Ofsted rating has further impacted on the permanent recruitment and a new workforce strategy is being designed to attract and retain permanent social workers.
26. Within the staffing overspend there is the cost of commissioned teams to carry out essential work to ensure appropriate timescales are met for the assessment of cases with the highest safeguarding risks. This has been necessary to prevent significant service deterioration due to a trebling of the statutory requirement, which can be directly attributed to higher post-Covid demand. These additional teams were due to end in December 2021, but they have been retained to manage the continued increase in demand.
27. There is also non-achievement of the budget reduction to reflect a pattern of staff vacancies in establishment posts as prompt recruitment in front line services continues to be essential to maintain service stability and improvements. In addition, savings have not been realised due to the corporate delay in restructuring business support functions and system support teams across the council.
28. The final position for both mainstream and special education needs (SEND) transport is £1 million overspent, an increase from quarter three of £0.2 million. The SEND budget is traditionally volatile and challenging to project as it is demand-led and impacted by numerous variables outside of the control of the council. Despite an increase in the budget from last year, there is further demand from the rising caseload of education, health, and care plans (EHCPs), from pupils with medical conditions and from those with challenging behaviour. The impact of places created locally in satellite special schools to cope with the rising EHCP demand has increased the number of journeys.
29. Other variances include the additional cost in the SEND team of legal support for work on tribunals of £0.17 million.
30. A saving of £1 million was agreed by Council from the quarter one monitoring report by switching the family investment fund budget to the contain outbreak management fund (COMF) ring-fenced grant. In addition, the service has saved £0.15 million by reducing commissioned services.

31. A saving of £0.4 million has been made by applying a one-off grant reserve to offset some of the increase in staffing over quarter three and £0.1 million has been contributed through the payments-by-results mechanism from achieving successful outcomes from the supporting families programme.
32. An additional contribution of £0.35 million from the public health grant in quarter four has been applied to cover public health duties delivered within Children's services.

Place Operations – net surplus £13.8 million (24%)

33. The place operations net £5 million surplus at quarter three improved significantly over the final quarter, with positive changes for many services. There was strong income performance, particularly in March, from carparking, seafront trading and leisure activities. Greater savings than expected were achieved, particularly in waste services, additional costs have been charged to the capital programme following a corporate review and some budgeted maintenance expenditure was delayed. Some services, however, continued to see cost pressures.

Covid Pressures

34. Covid pressures within environment services are income losses greater than allowed for in the bereavement service of £0.8 million, mainly due to reduced demand for cremation services, with costs pressure from the coroner's and mortuary service.
35. The economic impact of the pandemic eased over quarter four in trade waste income with the £0.3 million pressure previously estimated replaced by a small surplus. The pressure had included an increased allowance for the bad debt provision but the review of outstanding debtors as at the end of March demonstrated that instead a smaller provision was needed.
36. Self-isolation grants of £0.9 million were allocated in-year to community services to support vulnerable residents. In anticipation of this need, additional funds had already been earmarked from the contain outbreak management fund with the new grant used to support base budget costs. In quarter four it was decided to retain a contingency should further Covid support be needed in 2022/23 with £0.2 million held in reserve reducing the grant use to £0.7 million.

Transport and Engineering

37. Parking services has overachieved against budget by £4.3 million, this is still much lower than would have been anticipated in a pre-pandemic year as town centre carparks have not recovered well.
38. Concessionary fares were forecast to underspend by £0.3 million at quarter three with the outturn an increase to £0.6 million. The council continues to support bus travel across the conurbation and have compensated the two local bus companies in line with government guidance. The historic trend of reduced bus use has been reflected in maintaining pre Covid funding levels and this has brought down the amounts expected to be paid for the year compared with the budget. The previous forecast was net of costs for other transport services, and these have now been reflected elsewhere with the net overall position unchanged.
39. Transport network team savings have increased to £1 million at outturn from £0.3 million at quarter three. This is due to greater concentration of staff working for the capital programme rather than revenue funded activity together with additional street works income.

40. Passenger transport is showing a surplus of £0.2 million from the use by adult social care and the transport development team have succeeded through the final quarter in reducing the use of agency staff, resulting in a saving of £0.1 million.
41. Building control income is £0.5 million below budget as domestic applications are low and there are currently no large-scale housing developments that require the service. Building projects have been impacted nationally by the rising cost of materials, supply chain issues and concerns about inflation reducing industry confidence.

Communities

42. Community services variances have changed little over the quarter. There is an overspend of £0.2 million in respect of the community safety service review, staff costs are overspent by £0.2 million from the restructuring delay and there is a £0.1 million pressure in costs associated with community centres.

Environment

43. Waste collection and disposal services have underspent during the year with savings increasing over the final quarter. Environment were forecasting at quarter three a net saving of £1.9 million in residual waste disposal due to reduced volumes and improving recycle prices and with the re-tendered waste contracts costing less than anticipated. The service has continued to benefit from lower prices and reduced volumes to deliver a saving for the year of £2.4 million. Waste collection costs have also been lower with a budget surplus at outturn of £0.4 million. The take up of the garden waste service has performed well over the year with it considered more appropriate to reflect in 2021/22 the price adjustment in 2022/23 for the rounds cancelled due to Covid. This reduced the previously projected surplus by £0.3 million to £0.2 million.
44. Queens Park Golf course was previously forecast to outturn in a balanced position, but income has recovered well with a £0.2 million surplus at outturn.
45. The grounds maintenance service has achieved a surplus for the year of £0.1 million, mainly from charging salaries to winter response work.
46. The trend for increased income for drop-kerbs did not continue as anticipated in quarter four and although still in surplus the final figure has fallen to £0.1m.
47. The anticipated budget pressures for greenspace, concessions and trading reduced through quarter four with higher income from the Lower Gardens mini-golf and collections of rents improved. The outturn in respect of arboriculture works was in line with expectations.
48. The highways operational cost pressure highlighted previously has been reduced with the allocation of circa £1 million of expenditure instead to the capital programme having reviewed current national practice. In addition, income in relation to signage was higher than previously expected. Highways operations managed fleet costs cautiously through the final quarter managing to minimise the impact of rising fuel costs.

Destination and Culture

49. Seafront operations and beach huts continued to achieve better than expected budget savings through quarter four. Some planned maintenance and investment did not take place with expenditure savings and planned loss of income delayed. Income was strong in March, especially at the arcade. Together these provided a

trading surplus of £1.1 million for seafront operations and £0.8 million for beach huts, together adding £1.3 million more to the surplus.

- 50. Upton Country Park has achieved a surplus at year end mainly from the use of prudential borrowing for capital spend in place of a planned revenue contribution together with trading and car parking income higher than anticipated.
- 51. Leisure facilities performed better than expected. BH Live provided an additional £0.2 million from their outturn via the profit share arrangement. Smugglers Cove adventure golf achieved a surplus of £0.1 million and Two Riversmeet leisure complex improved performance through the final quarter.

Housing

- 52. The council has benefitted from significant one-off government grant funding for homelessness prevention services and housing options (net £0.2 million more in-year than budgeted). The council has utilised all grant funding received this year in accordance with grant conditions. Unspent grant funding of £1.3 million (in relation to homelessness prevention and Syrian/Afghan resettlement grants) have been transferred to reserves and will remain ringfenced to housing related spend in 2022/23.
- 53. Risk & improvement services salary underspend of £0.3 million is in line with the quarter three forecast. The neighbourhood services (garages and photovoltaic panels) previous saving from extra income forecast in quarter three has been reduced by additional maintenance expenditure.
- 54. Reduced income recognition from the telecare service over the final quarter and below budget write offs of rent deposits provide a positive variance of £0.1 million for the year.
- 55. The in-house team (IHT) and construction works team (CWT) continued to generate a budget surplus. In total construction services has realised an additional £0.6 million but some of this is from one-off adjustments. Cost pressures are likely to impact in 2022/23.
- 56. Seascape Homes & Properties Limited has provided an additional £0.2 million in net rental income for lease payments on properties acquired under the council newbuild housing & acquisitions strategy (CNHAS). This is in addition to reduced CNHAS feasibility studies spend to budget of £0.2 million.
- 57. The private sector housing team's final position is over budget by £0.1 million after a review of the treatment of outstanding debts at year end.
- 58. Other savings across the whole of housing services amount to £0.2 million.

Resources & Chief Executive Office - net surplus £0.4 million (1%)

- 59. The combined position for both the resources directorate and chief executive office is a net underspend to budget of £0.4 million.
- 60. The revenues & benefits teams have underspent by £0.3 million from carrying vacancies in anticipation of the staffing restructure over 2022/23 in preparing for the dissolution of the Story Valley and Poole Partnership (SVPP) and the transition to a new service model. SVPP is hosted by BCP and currently delivers some services on behalf of Dorset Council.

61. The facilities management budget has transferred to resources from the operations directorate. Final outturn is £0.2 million over budget, resulting from additional works undertaken during the year. This is an improved position from quarter three, where an overspend of £0.4 million was projected.
62. Democratic services outturn is £0.3 million from additional schools appeals income and reduced Member related spend.
63. Legal services underspent budget by £0.2 million due to ongoing staff vacancies and reduced external counsel support.
64. ICT services net savings of £0.5 million is due to reduced desktop replacement spend and ICT management. Reductions in photocopying, printing, and telephony cost are included within transformation savings.

Transformation Savings

65. Transformation savings of £7.5 million were built into the budget for 2021/22. At the end of quarter four £3.6 million of savings have not yet been identified for delivery and this is offset by related expenditure reductions of £1.4 million. This is an improvement of £1.5 million from the reported £5 million shortfall in quarter three monitoring. The improvement has been from the delivery of smarter structure savings and third party spend reductions.
66. The third party spend project has indicated further areas for savings opportunities and the deliverability and timing of these will be established during the next phase of work.

Central Items - net surplus £0.5 million (1%)

67. The council has recognised £5 million of potential liabilities attributable to Bournemouth Development Company LLP ("BDC"), a BCP joint venture company. The council is making a provision for their shareholding to align with the approach taken by its private sector partner relating to the Winter Gardens project. This is due to both the challenging landscape facing the construction industry in general, such as build cost inflation, and while the possibility is explored of incorporating the site into the larger regeneration of the extended BIC project, which may address any viability concerns.
68. There is reduced spend on interest payable of £0.8 million due to higher cash balances than anticipated with a reduced short term borrowing requirement and receipt of a one off £0.4 million dividend from Tricuro, the Local Authority Trading Company BCP set up in Partnership with Dorset Council. In addition, £0.5 million has been identified for release from previous balances held at Bournemouth Borough Council in relation to a company venture where activity has since wound down.
69. Set out in the financial outturn report 2020/21 presented to Cabinet on 23 June 2021 there were a series of actions undertaken by the finance team to release revenue resources earmarked for capital to support the 2021/22 budgetary position. The total amount released is £2.9 million with the decision made at Council in September when the outturn report was considered. Due to the surplus position reported this amount has been allocated to reserves to support the MTFP.
70. Government compensation for lost sales, fees, and charges (SFC) during 2020/21 outturn totalled £12.6 million. After meeting the first 5% loss of income in full, losses above this level are funded by government at 75%. The outturn figure was based on an estimate where there remained some ambiguity in the calculation. Therefore, a

risk factor was transferred to reserves of £1.4 million in case an amount needed to be repaid to government. Now the scheme for 2020/21 has concluded this amount is available to support revenue and will be carried forward in reserves to offset the cost-of-living pressure the council is forecasting.

71. The SFC scheme continued for the first quarter of 2021/22, and the initial estimate of the grant is ahead of the £1.6 million budget by £1.3 million.
72. Budget monitoring over the year has been on the basis that the unbudgeted element of the Covid pressures grant tranche 5 would offset the overspends within services. As the net overspend has not materialised, £8.2 million of unused grant will be carried forward in reserves to support the emerging cost of living pressures.
73. Lastly, the unearmarked balance of the contingency £2.8m has been fully released to revenue. The balance released has grown in quarter four as the amount needed for the 2021/22 pay award agreed in March 2022 was less than expected due to the level of vacancies maintained across services during the year.

Reserves monitoring 2021/22

74. Councils nationwide received significant Covid related grants during 2020/21 which artificially increased all opening reserve balances. Grants received in relation to business rates have particularly obscured the true reserve position due to the intricacies of collection fund accounting. The Council received £40.4 million for business rates in 2020/21 which was paid back to the collection fund in 2021/22. In addition, £18.5 million was carried over from specific grants to be applied to pandemic spend.
75. Figure 3 below summarises the projected movement in reserves during the current financial year assuming the estimated surplus of £6.8 million will be added to financial resilience reserves. This is considered further in the 2022/23 Budget and MTFP Report on the agenda.

Figure 3: Summary of projected movements in reserves

	Balance 1 April 2021	Balance 31 March 2022	Movement
	£m	£m	£m
Un-earmarked reserves	15.3	15.3	0.0
Earmarked reserves*	153.8	114.4	(39.4)
Total reserves	169.1	129.7	(39.4)

These reserves do not include revenue reserves earmarked for capital or school balances.

*Earmarked reserves brought forwarded include:

- £60.1 million specifically in relation to Covid.
- £30.1 million to support the 2021/22 budget and £2.1 million towards the 2022/23 budget.

76. The main **movement** on other earmarked reserves during the year are as follow:

Financial Resilience Reserves

- a) £25,106k **Refinancing of the Capital Programme Reserve – phase 1**
As per the approved 2021/22 budget reserve fully draw down
- b) £4,748k **Refinancing of the Capital Programme Reserve – phase 2**
As per the approved 2021/22 budget reserve fully draw down
- c) £615k **MTFP Mitigation Reserve**
As per approved Cabinet report £3.4 million to support accelerated regeneration, £0.3 million for SEND, £0.2 million for Climate Change and £0.5 million Clean Green Safe offset by annual review of reserves crediting £1.9m.
- d) (£6,805k) **Projected Outturn 2021/22**
As per report amount of surplus will be added to financial resilience reserves and drawn down in support of the 2022/23 budget.
- e) (£2,900k) **2020/21 Capital Refinancing**
As set out in para 69 this unused amount will go toward supporting the MTFP.
- f) (£8,195k) **Covid 19 unspent grant**
As set out in para 72 this unused amount will go toward supporting the MTFP.

Transition and Transformation Reserves

- g) £2,000k **Transformation – Contribution from outside General Fund**
Drawn down as per the approved 2021/22 budget

Asset Investment Strategy Rent, Renewals and Repairs

- h) (£775k) **Investment Properties**
Higher rental income than assumed in the budget has meant a contribution to this reserve has been possible to offset future voids and maintenance commitment for the council investment property.

Held in Partnership for External Organisations

- i) (£794k) **Stour Valley and Poole Partnership (SVPP)**
A combination of surplus and unspent grants which will be distributed next year as part of the dissolution of the partnership (subject to exit cost arrangements).

Government Grants

- j) (£21,511k) **Covid 19 NNDR Section 31 Grants**
Monies received in 2020/21 to offset collection fund deficit payable in 2021/22 and monies received in 2021/22 to offset deficit payable in 2023/24.
- k) £8,516k **Other Covid 19 Grants**
Other Covid related grants other than for NNDR

Dedicated Schools Grant (DSG) 2021/22

77. The 2021/22 budgeted high needs funding shortfall is £10.8 million, reducing to £9.7 million after a £1.1 million (0.5%) transfer of funding from the school block. Other DSG blocks have been set with balanced budgets with no surplus available to reduce the overall funding gap.
78. This budget is being monitored through the High Needs Block Deficit Recovery Board. The quarter three position indicated an overspend of £3.2 million, resulting in an annual funding gap for 2021/22 of £12.9 million.
79. The final outturn position is a small improvement with the overall annual funding gap reduced to £12.5 million.
80. The High Needs Block outturn position is £2.5 million overspent compared with budget. This includes a £0.9 million provision for a disputed case with backdated costs following a ruling from the Secretary of State, although an appeal has been lodged on the advice of counsel.
81. There has been a net overspend on the early years funding formula of £0.4 million, due to the increase in provider payments to support pupils with additional needs.
82. The accumulated deficit has increased from £7.8 million at 1 April 2021 to £20.3 million at the end of the year as shown in the table below:

Figure 4: Summary position for dedicated schools grant

Dedicated Schools Grant	Quarter 3 Projection £m	Outturn £m
Accumulated deficit 1 April 2021	7.8	7.8
Budgeted high needs shortfall 2021/22	9.7	9.7
In-year over spend on high needs	3.1	2.5
In-year net over spend on other blocks	0.1	0.3
Projected accumulated deficit 31 March 2022	20.7	20.3

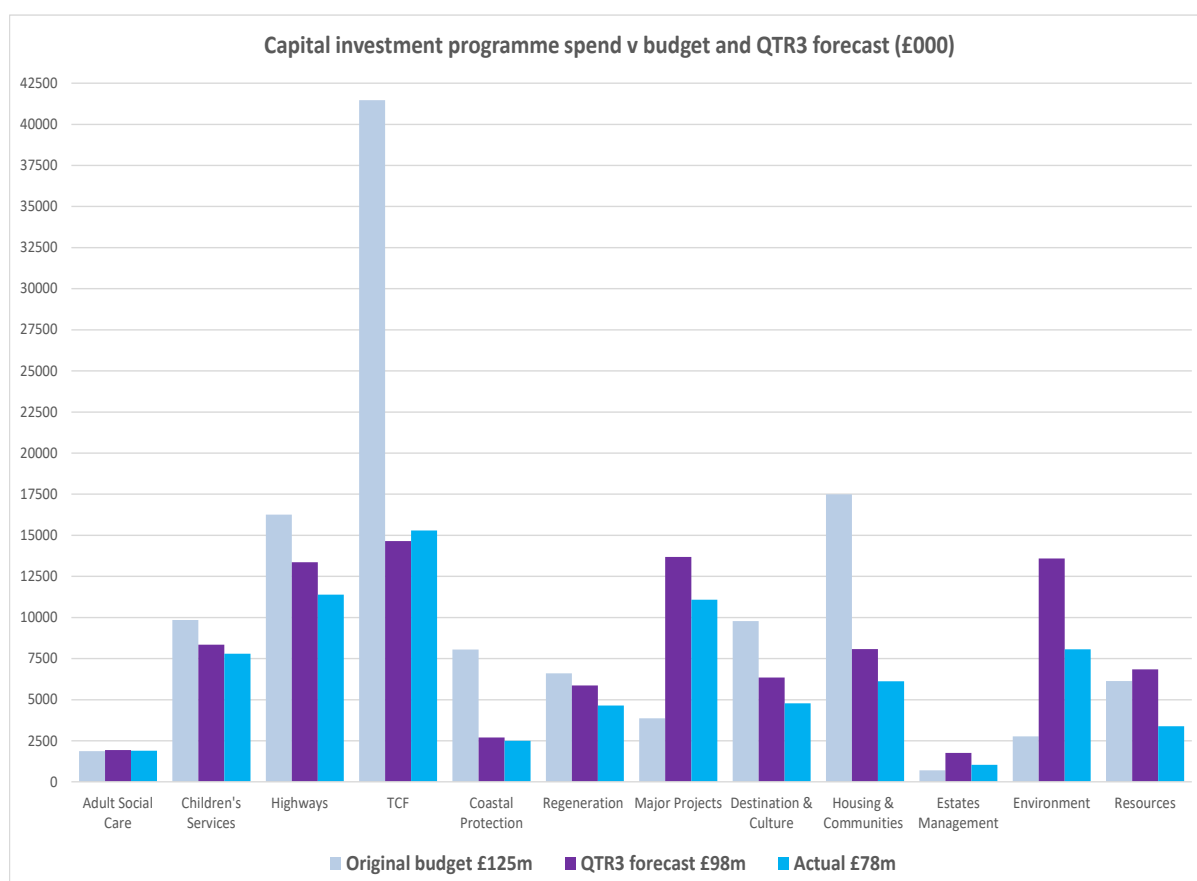
Capital budget monitoring

83. This section covers the council's budgeted capital investment programme (CIP) in respect of general fund capital expenditure only. Housing Revenue Account (HRA) related capital spend is reported separately within this report.
84. The original capital investment programme (CIP) budget approved by Council in February 2021 was £125 million. In-year amendments to the programme (since budget was approved) include new approved schemes, increases to existing scheme budgets, reprofiling of approved capital budget to later years as well as the carry forward of unspent capital budget brought forward from 2020/21. These changes resulted in a revised quarter three forecast full year capital programme of £97.6 million.
85. At £78.1 million, final capital expenditure for 2021/22 is 80% of third quarter projection of £97.6 million. Covid-19 and Brexit continue to have significant impact on market conditions. This includes increases in raw materials prices, construction cost increases, and labour and material supply chain issues. This has impacted on delivery of the capital programme in various ways. There have been increases in

tendered prices compared with original estimates across capital projects, reduced capacity to undertake works to planned timeline because of labour shortages and in some cases fewer than expected responses to tenders issued. Some cost increases have been absorbed within risk / contingency allowances in approved capital budgets. Other price variations have required capital budget increases. These are funded from either BCP funds (for example developer S.106 contributions / community infrastructure levy (CIL)), external grant or additional prudential borrowing.

86. Figure 5 below reflects the final outturn position by service area in comparison with quarter three forecast and original budget.

Figure 5: Capital programme spend at 31 March 2022



87. The capital programme excludes the £50 million from the Futures Infrastructure Fund and £10 million SEND infrastructure loans until such time as specific capital projects to utilise this funding are approved and included within the CIP.
88. A summary of progress on key capital projects by directorate is provided in Appendix C.

Financial risks

89. Whilst some capital projects budgets have already been increased due to market cost pressures, this inherent risk remains until projects have been completed.
90. Further specific risks identified include:

- Salix grant funding - the council assumes the use of £2 million grant funding to fund approved capital spend already underway on energy improvement measures across council buildings. The council is awaiting final confirmation of funding position with respect to committed works not yet completed.
- Transforming Cities Fund – the impact of ongoing market pressures continues to be monitored by the TCF Board. Programme updates are provided to Council.
- Hillbourne School newbuild (£9.5 million total capital budget) assumes the use of £4.7 million general fund borrowing accounted for by the transfer of surplus playing school field land to the HRA for housing development. This is subject to final Secretary of State approval.
- Fleet management – the Council is seeing a 10-12% rise in the costs of procuring vehicles compared to what was budgeted in the fleet management plan (when it was originally approved). There is a risk that with continued increases in costs, budgets will need to be revised in the future

Capital programme financing 2021/22

91. Figure 6 summarises the capital funding sources applied to 21/22 capital spend:

	2021/22 £'000
Government grant	38,842
Third party receipts	1,839
s106 & Community Infrastructure Levy	5,069
External funding	45,750
Revenue funding for capital	453
Earmarked reserves	332
Futures Fund	5
Prudential borrowing	31,558
BCP funding	32,348
Capital investment programme funding	78,098

92. Around 59% of 2021/22 capital expenditure is funded from external sources – government grant, third party receipts, s106 developer contributions and community infrastructure levy (CIL). Most of the remaining capital expenditure is funded from prudential borrowing.
93. The use of BCP reserves to fund capital spend is restricted to expenditure for which no other sources of capital funding is identified. Examples include feasibility studies for potential future capital projects, earmarked reserves built up in partnership with

third parties, and the council's annual corporate funding for BH Live asset maintenance.

94. Approximately 40% of the Council's capital expenditure is funded from prudential borrowing.

Capital budget virements and acceptance of capital grants 2021/22

95. In accordance with the council's financial regulations the following rules associated with capital virements, and acceptance of grants apply (after advice from the Chief Finance Officer):

- Acceptance of grants greater than £100,000 and up to £1 million require Cabinet approval
- Virements over £1 million require prior Council approval.
- Virements over £500,000 and up to £1 million require prior Cabinet approval.
- Corporate Directors can approve virements over £100,000 up to £500,000.
- Service Directors can approve virements up to £100,000.

96. The following capital virements to accept new grants require **Cabinet** approval:

Directorate: Operations

Purpose: Accept new Environment Agency (EA) capital grant of £0.3 million to fund BCP cliff management strategy

This award is to fund a new BCP cliff management strategy that will enable a consistent strategic approach to cliff management to be adopted across the seafront.

Directorate: Operations

Purpose: Accept Historic England (HE) capital grant of £0.2 million to fund part of the Scaplen's Court museum project.

In May 2022 Council approved a £1.4 million increase in capital budget for Poole Museum (including Scaplen's Court). This grant secures £0.2 million external grant funding as part of the approved funding strategy for this budget increase.

Directorate: Operations

Purpose: Accept Heritage Fund (HF) capital grant of £0.2 million for the Upton Country Park Discovery project.

This is additional grant successfully secured in addition to the existing HF allocation for this project. It will be used (together with additional BCP contribution via developer funding and borrowing) to facilitate the remaining elements of the project which include provision of a volunteer facility.

Directorate: Operations

Purpose: Accept Active Travel Funding (ATF) from the Department of Transport (DFT) of £0.1 million.

Additional funding secured to deliver Active Travel schemes. The funds will be used to deliver permanent street furniture linked to school streets and to provide secure cycle storage in/near the Dolphin Shopping Centre in Poole.

Directorate: **Operations**

Purpose: Accept Arts Council England (ACE) Museums Estates and Development (MEND) funding of £0.5 million for the Russell Cotes Art Gallery and Museum.

Cabinet is asked to ratify the decision taken by the Chief Executive under delegated emergency powers to accept £0.5 million of MEND capital grant funding on behalf of BCP Council. This award was secured to deliver urgent capital works for the enhancement and preservation of the Grade 2 listed Museum. These will include replacement of air handling units, preservation of the conservatory and drainage improvements. The council will be required to contribute up to £0.5 million matched funding to deliver the project, to be funded from either CIL or Futures Fund (subject to approval) or prudential borrowing. If prudential borrowing is used as matched funding source, the Russell Cotes Trust will be responsible for making annual borrowing repayments.

97. The following capital virement to change funding source requires **Council approval**, as it is above £1 million:

Directorate: **Operations**

Purpose: Capitalise £1 million of highways related spend, to be funded from prudential borrowing

Around £1.0 million of highways maintenance spend has been capitalised in the year and funded from prudential borrowing. The spend includes investment in the replacement of kerbs, bollards and fencing, inspection works that result in capital replacement works, inspection works that result in new pipeworks and chambers and replacement of failing assets. Accounting treatment (as set out in the CIPFA Code of Practice) permits the capitalisation of such spend. It is proposed that prudential borrowing is used to fund the expenditure, to be repaid over 25 years at the council's low risk Invest to Save borrowing rate of 3%. This virement releases expenditure budgeted within the revenue account as noted in paragraph 48.

Housing revenue account (HRA) monitoring

98. The HRA is a separate account within the council that ring-fences the income and expenditure associated with the council's housing stock. The HRA does not therefore directly impact on the council's wider general fund budget.
99. Within the HRA the council operated two separate neighbourhood accounts for 2021/22. The Bournemouth account comprises 5,100 tenanted properties and is directly managed in-house by the council. The Poole account comprises 4,517 tenanted properties and is managed by Poole Housing Partnership (PHP). PHP operate as an arm's length management organisation (ALMO) in line with a management agreement with the council. In May 2022 Council agreed to bring the two neighbourhoods into a single service.
100. Appendix D1 provides the detail of revenue budget monitoring across both neighbourhood accounts and Appendix D2 provides the same for capital budget monitoring across both neighbourhood accounts.

Bournemouth and Poole Neighbourhoods - Revenue account

101. In quarter three the HRA forecast a contribution of £5.9 million from its revenue account to the new build capital programme reserve (£5.4 million originally budgeted). The final contribution to HRA reserves is £6.2 million.
102. Rental income from rents (dwellings and non-dwellings) across both neighbourhoods is in line with budget and forecast. Both neighbourhood accounts reported favourable variances to budget and forecast on other income – including £0.3 million unbudgeted contributions towards expenditure from leaseholders.
103. Repairs and maintenance spend in Bournemouth neighbourhood is higher than budget and forecast. This reflects market pressures on the cost of materials and labour and the level of unbudgeted work required on void properties. This position will continue to be monitored closely during 2022/23. There are no significant variances to repairs and maintenance within the Poole neighbourhood.
104. Supervision and management spend forecasts were adjusted in quarter three to reflect the impact of increasing gas and electricity prices in the second half of this year. These estimates have largely borne out – each neighbourhood has incurred additional utilities spend to original budget of £0.2 million (£0.4 million across the HRA combined). Quarter three forecast underspends in other areas of supervision and management (principally Bournemouth neighbourhood) from additional recharges of housing development team staff costs to capital and other staff related savings have also been realised in final outturn numbers. The overall underspend to budget is £0.2 million in supervision and management across the two neighbourhoods.
105. As a result of continued focus on cash collection of rents, the HRA has not had to increase its bad debt provision significantly. This has resulted in a favourable variance to budget of £0.3 million across both neighbourhoods.
106. Favourable variances of £0.3 million arose within treasury management because of reduced interest payable to budget on HRA loans.
107. The overall impact of budget variances is that the combined annual contribution to new build capital programmes for 2021/22 is £6.2 million (£5.4 million originally budgeted, increasing to £5.9 million at quarter three). This consists of £2.5 million contribution from the Bournemouth neighbourhood and £3.7 million from the Poole neighbourhood.

Bournemouth and Poole Neighbourhoods - Capital programme

108. As with the general fund, planned capital spend across both HRA neighbourhoods was reprofiled significantly in quarter three. This adjustment was made to reflect the ongoing impact of Covid-related pressures on the deliverability of the HRA capital programme. The original budget for 2021/22 estimated £56.5 million capital spend. This was reduced to £41.5 million in quarter three. Actual capital spend for the year is £38.5 million, which is 93% of quarter three projection.
109. As with the general fund, unspent approved capital budget from 2021/22 will be reprofiled into 2022/23 capital programme.
110. Work on major capital projects across both neighbourhoods has progressed steadily – including Sterte Court and Project Admiral in the Poole neighbourhood, and Moorside Road, Luckham Road / Charminster Way, Mountbatten Gardens, Templeman House, Cabbage Patch and Ibbertson Way in the Bournemouth

neighbourhood. Both neighbourhood capital programmes have required approval of additional capital budget for schemes underway. This is a result of inflationary pressures on materials and labour – the impact of Covid / Brexit on the market. Sterte Court cladding works undertaken in Poole neighbourhood benefitted from £3.0 million of external government grant funding.

111. The HRA invested £13.2 million in its annual programmed maintenance programme in 2021/22 (£6.4 million in the Bournemouth neighbourhood and £6.8 million in the Poole neighbourhood). Principal areas of investment include £3.0 million in building improvements (including doors, roofing, and lifts), £2.7 million in its kitchen and bathroom replacement programmes, £1.8 million in heating and hot water systems, £1.6 million in window replacement and £1.1 million in disabled adaptations.

HRA capital programme financing 2021/22

112. Unlike the general fund, the HRA relies significantly on its own reserves to fund delivery of its annual capital programme. Figure 7 summarises sources of funding applied to 2021/22 capital spend:

	2021/22 £'000
Government grant	3,101
Right to buy receipts	3,484
s106 housing contributions	785
External funding	7,370
HRA new build reserves	12,746
HRA major repairs reserve	18,392
Prudential borrowing	0
HRA funding	31,138
HRA capital programme funding	38,508

113. The HRA received £3.4 million of government capital grant funding specifically for cladding works at Sterte Court, of which £3.0 million has been utilised in 2021/22.
114. Whilst many HRA approved business cases for major capital projects assume the use of prudential borrowing, the HRA has been able to utilise the HRA newbuild reserve in lieu of borrowing, with £2.4 million of funding change during the year. This has the benefit of reducing the Council's overall capital financing requirement by an equivalent amount as well as saving the HRA borrowing interest costs.
115. HRA reserves are built up from revenue contributions each year and are ringfenced to the HRA. As at 31 March 2022 the HRA has retained reserves of £11.5 million – including the newbuild reserve and major repairs reserve.

Financial risks in the HRA capital programme

116. Whilst Sterte Court cladding works are nearing completion, there is some risk that additional capital budget will need to be approved in 2022/23 to complete the scheme. Additional scaffolding costs and construction delays have led to the

deferment of contract end date. This has potential financial implications for the final contracted sums owed. An update on the final position and relevant budget approvals where required will be sought in the quarter one 2022/23 council budget monitoring reporting.

Companies and partner organisations

117. The financial sustainability of the council could also be affected by the performance of partners and subsidiaries in which it has a financial interest. Each of these entities has their own governance framework and their own arrangements for reporting their financial and operating performance.

118. The following paragraphs contain a summary of the outturns for these partner and subsidiary organisations. It should be noted that these are provisional figures and are unapproved by the respective boards of directors and are also subject to audit.

Bournemouth Building & Maintenance Ltd (BBML)

119. The trading activities of BBML consist of programmed works for the council's housing revenue account such as disabled adaptations and building works for other council owned property.

120. Turnover for the financial year was £8.9 million compared with budget of £7.4 million. Net profit for the year is £0.32 million, which is in line with budgeted net profit of £0.27 million. Broadly speaking BBML generates around 3.8% net profit on its annual turnover.

121. BBML pays the Council an annual dividend of £0.1 million.

122. Retained profit reserves of £0.78 million (after payment of annual £0.1 million dividend) have accumulated over time. Whilst retained profit reserves are earmarked to fund potential future BBML cost pressures, there is scope to make additional one-off dividend payment to the Council in 2022/23. This would help mitigate the emerging impact of cost-of-living pressures.

123. Due to the materiality level for the council's statement of accounts, BBML will not be consolidated into the group accounts.

Seascope Group Ltd

124. Seascope Group Limited owns two subsidiaries, Seascope South Limited and Seascope Homes and Property Limited.

125. The core activities of Seascope South Limited (SSL) are undertaking adaptations and conversions to non-council owned property. These are funded through disabled facility grants (DFG). Building maintenance and construction services are also provided, utilising the council's internal Construction Works Team (CWT).

126. Turnover for the financial year for SSL was £1.0 million, which is in line with the budget of £1.0 million. Provisional profit before tax is £0.1 million compared with a budget of £0.04 million, resulting predominantly from greater surpluses from works completed by CWT in the year.

127. Retained profit reserves of £0.2 million are estimated as at 31 March 2022. To date no dividends have been paid to Seascope Group Limited.

128. Seascope Homes and Property Limited (SHPL) provides housing solutions through the grant of assured short-hold tenancies to a variety of clients, including the homeless. SHPL leases properties purchased by the council to provide this housing.

129. Turnover for the financial year for SHPL was £1.4 million, which is in line with the budget of £1.4 million. Provisional profit before tax of £0.03 million is expected, which is also in line with budgeted expectation of £0.03 million.
130. The results of the subsidiaries are combined to form the results of Seascope Group Limited (SGL). The provisional turnover for SGL was therefore £2.4 million (budget £2.4 million). Provisional profit before tax of £0.1 million is in line with budgeted profit before tax for the two subsidiaries.
131. Due to the materiality level for the council's statement of accounts, Seascope Group will not be consolidated into the group accounts.

Charities

132. The council has close links to three charities, the Five Parks Charity, Lower Central Gardens Trust and Russell-Cotes Art Gallery & Museum Charitable Trust.
133. Due to the materiality levels for the council only Lower Central Gardens Trust will be included in the council's group accounts. Materiality is assessed with reference to the size of the asset base in the balance sheet.

The Bournemouth Development Company LLP

134. Bournemouth Development Company LLP ("BDC") is a joint venture between the Council and wholly owned subsidiary of Morgan Sindall Investments Ltd.
135. BDC is an active development partner and regeneration catalyst for the delivery of the Bournemouth Town Centre Vision.
136. BDC has a different year end to the council, consequently the figures incorporated in the council's group accounts rely on an amalgamation of the pro rata amount from the joint venture's 31 December 2021 yearend figures and from the quarter 1 management account information to 31 March 2022. Figures are not available to include in this report due to differing financial reporting years.

Tricuro

137. Tricuro is a group of two companies established under local authority trading company principles to undertake a range of adult social care services on behalf of the now two local authorities in Dorset. Staff transferred from each of the local authorities to the new company with the aim of improving service provision and efficiency.
138. It is structured as a care company (Tricuro Limited) and a company providing support services (Tricuro Support Limited), with management through a joint Board. Tricuro Support Limited holds the contractual relationships with the two commissioning councils, as well as the property leases and support services agreements.
139. Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited.
140. The turnover of Tricuro in 2021/22 was £44.3 million, with £17.6 million (40%) attributable to the contract with BCP Council, £23.2 million (52%) from the contract with Dorset Council, £1.5 million (3%) from independent fee and charges and £2 million (5%) from specific COVID-19 related funding.

141. Due to the materiality level for BCP Council statement of accounts Tricuro will not be consolidated into BCP Council's group accounts as the operating assets have remained with each council.

Aspire Adoption

142. Aspire Adoption is a partnership between BCP and Dorset Council.

143. Aspire work in partnership with Families for Children, a local voluntary adoption agency.

144. The purpose is to provide services for children and families through enabling and supporting the adoption and special guardianship process.

145. BCP contribution to the partnership is £1.2 million with Dorset Council contributing £0.9 million.

Scenarios

146. This is in the main an outturn report with different scenarios no longer relevant. Provisions have been calculated according to agreed policies and best estimates used to close the accounts when final charges and income due have not yet been received or notified.

Summary of financial implications

147. This is a financial report with budget implications a key feature of the above paragraphs.

Summary of legal implications

148. The recommendations in this report are to comply with the council's financial regulations with attention drawn to significant budget variances as part of good financial planning to ensure the council remains financially viable over the current year and into the future.

Summary of human resources implications

149. There are no human resources implications from the recommendations in this report.

Summary of sustainability impact

150. There are no sustainability impacts from the recommendations in this report.

Summary of public health implications

151. The council is seeking to maintain appropriate services for the vulnerable as well as improve the sustainability of services important for the wellbeing of all residents.

Summary of equality implications

152. Budget holders are managing their budgets with due regard to equalities issues.

Summary of risk assessment

153. Monthly budget meetings to consider key aspects of the council's operations overall will continue to take place over 2022/23, including a separate meeting to monitor the financial position of children's services under its new leadership.

Background papers

Cabinet papers:

February 2021 – papers for budget 2021/22

[http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=285&MId=4260&Ver=4&\\$LO\\$=1](http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=285&MId=4260&Ver=4&LO=1)

29 September 2021 – 2021/22 quarter one budget monitoring report

[http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=285&MId=4836&Ver=4&\\$LO\\$=1](http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=285&MId=4836&Ver=4&LO=1)

15 December 2021 – 2021/22 quarter two budget monitoring report

[http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=285&MId=4839&Ver=4&\\$LO\\$=1](http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=285&MId=4839&Ver=4&LO=1)

9 February 2021 - 2021/22 quarter three budget monitoring report

[http://ced-pri-cms-02.ced.local/mgChooseDocPack.aspx?ID=4841&\\$LO\\$=1](http://ced-pri-cms-02.ced.local/mgChooseDocPack.aspx?ID=4841&LO=1)

Appendices

Appendix A1 Budget variances greater than £100,000 2021/22

Appendix A2 General fund revenue summary March 2022

Appendix B Schedule of earmarked reserves March 2022

Appendix C Capital investment programme 2021/22 narrative by directorate

Appendix D1 Summary of HRA revenue budget monitoring for 2021/22

Appendix D2 Summary of HRA capital budget monitoring 2021/22

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Appendix A1: 2021/22 - Budget Variances Greater than £100,000

Adult Social Care & Public Health

Budget	Explanation	Dec Variance 2021/22 £000s	March Variance 2021/22 £000s	Change Variance 2021/22 £000s
Covid Pressures				
Care packages	Increased cost of care packages from legacy hospital discharge arrangements during the pandemic.	1,482	2,717	1,235
Health contributions	New NHS funding for health needs following hospital discharges	(750)	(750)	0
Employees	Additional resources to manage the discharge to assess scheme at existing pace	164	132	(32)
Other Pressures and Savings				
Care packages	Demand for care and residential fees not as high as expected in final quarter	2,167	(130)	(2,297)
CHC	Continuing health care refunds	(442)	(1,732)	(1,290)
Client Contributions	Client contribution additional income	(543)	(385)	158
Employees	Employee savings due to recruitment difficulties / increased use of grants for staffing	(1,046)	(1,379)	(333)
Tricuro main contract	Savings in services delivered by Tricuro.	(202)	(987)	(785)
Other	Other miscellaneous variances	(287)	(1,022)	(735)
Total Adult Social Care & Public Health		543	(3,536)	(4,079)

Children's Services

Budget	Explanation	Dec Variance 2021/22 £000s	March Variance 2021/22 £000s	Change Variance 2021/22 £000s
Covid Pressures				
Care Packages	Social Care high-cost care placements and associated expenditure	3,961	4,519	558
Employees	Agency - international recruitment	350	350	0
Employees	Contracts for additional social workers	1,165	1,360	195
Other Pressures and Savings				
Employees	Social care staffing pressures - high use of social work agency and interim staff for service improvement net of DfE grant of £0.4 million	2,521	2,824	303
Employees	Quality & performance team staffing pressures for service improvement	427	275	(152)
Employees	Director of Education other staffing including vacancy budget allowance not achieved due to prompt recruitment	205	207	2
Employees	SEND additional staff following inspection and pressures in team	506	272	(234)
Employees	Business support and case management system team from delayed staff restructuring	947	807	(140)
Transport	SEND and Mainstream costs due to further rise in caseload	799	935	136
Other	SEND legal costs from tribunals and other payments	124	173	49
Other	Other smaller miscellaneous items	(319)	(352)	(33)
Other	Reduction on commissioned services	(150)	(150)	0
Other	Family investment fund - alternative funding method (contain outbreak management fund)	(1,000)	(1,000)	0
Other	Application of troubled families grant reserve	(417)	(514)	(97)
Other	Additional contribution from Public Health for duties delivered by Children's services.	0	(350)	(350)
Total Children's Services		9,119	9,356	237

Place Operations

Budget	Explanation	Dec Variance 2021/22 £000s	March Variance 2021/22 £000s	Change Variance 2021/22 £000s
Covid Pressures				
Environment - Bereavement	Reduced demand impacting cremation income	794	755	(39)
Environment - Waste	Anticipated increase in trade waste bad debts not required	329	(13)	(342)
Communities - grant	Self-isolation support met from other grants (COMF)	(935)	(713)	222
	Other Items Below £100k.	134	74	(60)
Other Pressures and Savings				
Communities	Regulatory services delayed restructure to next year	253	253	0
Communities	Community safety service delayed restructure	233	212	(21)
Communities	Community engagement	110	98	(12)
Communities	Private Sector Housing - debt provision review	15	(118)	(133)
Environment	Fleet costs	246	150	(96)
Environment	Arboriculture contract pressure	179	204	25
Environment	Reduced cost of residual waste, improved waste income	209	(86)	(295)
Environment	Greatly improved Lower Gardens mini-golf income, rent income recovered ahead of expectations	266	(134)	(400)
Environment	Grounds Maintenance - recharge of salaries	(100)	(136)	(36)
Environment	Drop kerb income	(291)	(165)	126
Environment	Queens Park Golf	4	(176)	(180)
Environment	Additional subscriptions garden waste	(468)	(202)	266
Environment	Reduced cost of refuse collection	(23)	(356)	(333)
Environment	Transfer of allowable expenditure to capital budget	235	(1,158)	(1,393)
Environment	Tonnages and disposal price below budget	(1,869)	(2,432)	(563)
Transport & Engineering	Building control reduced fee income	393	515	122
Transport & Engineering	Transport Development - reduced use of agency	(69)	(141)	(72)
Transport & Engineering	Passenger Transport	(55)	(208)	(153)
Transport & Engineering	Concessionary fares - formula driven payments to providers less than expected	(350)	(652)	(302)
Transport & Engineering	Transport network including backlog income/ capitalisation / lower transfer to reserves	(283)	(958)	(675)
Transport & Engineering	Parking services - step change in post covid recovery	(2,360)	(4,319)	(1,959)

Budget	Explanation	Dec Variance 2021/22 £000s	March Variance 2021/22 £000s	Change Variance 2021/22 £000s
Housing	Strategic housing increase in bad debt provision	0	140	140
Housing	Garages & photovoltaic panels - additional R&M spend	(100)	(5)	95
Housing	Allowance for non-repayment of rent deposits net of reduced telecare income	(303)	(64)	239
Housing	Cold weather grant income	0	(140)	(140)
Housing	Net rental income from Seascope Homes & Properties	0	(150)	(150)
Housing	Housing Options - in-year revenue grant utilisation	0	(170)	(170)
Housing	Housing Delivery Team (CNHAS feasibility)	(100)	(205)	(105)
Housing	Risk & Improvement - underspend on staffing and overheads	(300)	(341)	(41)
Housing	In-house team - supplies and services	(287)	(652)	(365)
Housing	Other Items below £100k	0	(205)	(205)
Destination & Culture	TwoRiversmeet Leisure Centre	23	(95)	(118)
Destination & Culture	Smugglers Cove Adventure Golf	0	(98)	(98)
Destination & Culture	BH Live - increased profit share	(124)	(264)	(140)
Destination & Culture	Upton Country Park	(35)	(381)	(346)
Destination & Culture	Seafront - Beach huts. Main variance is unspent maintenance	(238)	(820)	(582)
Destination & Culture	Seafront - operations & trading - main variance is unspent maintenance	(380)	(1,130)	(750)
	Other Items Below £100k.	227	451	224
Total Operations		(5,020)	(13,835)	(8,815)

Resources & Chief Executive Office & Transformation

Budget	Explanation	Dec Variance 2021/22 £000s	March Variance 2021/22 £000s	Change Variance 2021/22 £000s
Facilities Management*	Additional repairs & maintenance	350	231	(119)
ICT	Reduced ICT revenue spend - including desktop replacement	0	(488)	(488)
Law & Governance	Democratic Services - additional school appeals income and reduced Member related spend	0	(333)	(333)
Law & Governance	Legal Services - staff vacancies and reduced external counsel support	0	(232)	(232)
Other Finance	Additional pension costs	0	177	177
Chief Executive Office & other resource areas	Other Items below £100k*	452	520	68
Revenues & Benefits	Underspends on Revenue and Benefits team	0	(283)	(283)
Transformation	Shortfall in transformation savings target of £7.5m	5,090	3,549	(1,541)
Transformation	Reprofile of transformation spend	(1,400)	(1,416)	(16)
Total Resources & Chief Executive Office & Transformation		4,492	1,725	(2,767)

* £50k library underspend previously included within operations directorate

Central Items

Budget		Explanation	Dec Variance 2021/22 £000s	March Variance 2021/22 £000s	Change Variance 2021/22 £000s
Covid Pressures					
Covid Pressures Grant		Release of residual Covid 19 grant	(8,193)	0	8,193
Reserves		Release of sales, fees and charges grant reserve 2020/21	(1,402)	0	1,402
Covid Pressures Grant		Sales, fees and charges grant 2021/22	(1,338)	(1,340)	(2)
Other Pressures and Savings					
Dividend Income		Company dividend including Tricuro dividend	(387)	(402)	(15)
Interest paid and received		Higher cash balance than anticipated coming into the year with less requirement for short term borrowing.	(619)	(791)	(172)
Release of provision		Release of part of provision for dilapidation works on Council Assets	(200)	0	200
Capital Programme		20/21 outturn report decision to release £2.9 million from capital resources and replace with borrowing	(2,900)	0	2,900
Company Provision		Contribution to provision for BDC Winter Garden Project due to ongoing viability demands	5,200	5,200	0
Release of historic balance		Release of historic balances from Bournemouth Borough Council CFI company	(500)	(474)	26
Release of Contingency		Release of uncommitted contingency - high vacancy level reduced call for pay award.	(2,053)	(2,822)	(769)
Misc Corporate Items		Under £100k items	0	114	114
Total Corporate Items			(12,392)	(515)	11,877
Total	All Services and Central items		(3,258)	(6,805)	(3,547)

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BCP Council - General Fund Summary 31 March 2022

Directorate	Revenue	Working Budget £'000	Actual Outturn £'000	Outturn Variance £'000
Adult Social Care	Expenditure Total	218,346	228,307	9,961
	Income Total	(101,634)	(115,131)	(13,497)
Adult Social Care Total		116,712	113,177	(3,536)
Children's Services (excl DSG)	Expenditure Total	82,305	90,750	8,445
	Income Total	(12,017)	(11,105)	912
Children's Services Total		70,288	79,645	9,357
Operations	Expenditure Total	150,085	168,639	18,554
	Income Total	(92,527)	(124,917)	(32,390)
Operations Total		57,558	43,722	(13,835)
Resources & Chief Executive Office	Expenditure Total	163,268	163,989	721
	Income Total	(114,702)	(115,831)	(1,129)
Resources Total		48,567	48,159	(408)
Transformation (inc target savings)	Expenditure Total	22,537	2,621	(19,916)
	Income Total	(22,049)	0	22,049
Transformation Total		488	2,621	2,133

Total Net Cost of Service		293,613	287,324	(6,289)
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Corporate Items

Provision for repayment (MRP)		9,948	9,948	0
Company Provision		0	5,200	5,200
Pensions		5,163	5,095	(68)
Interest on borrowings		3,181	2,696	(485)
Contingency		2,822	0	(2,822)
Movement to reserves		688	688	0
Levies (Environment Agency / Fisheries)		599	606	7
Apprentice Levy		565	670	105
Revenue expenditure on surplus assets		267	267	0
Other Expenditure		0	176	176
Corporate Items	Expenditure Total	23,234	25,347	2,113

Corporate Items

Investment property income		(5,103)	(5,103)	0
Income from HRA		(949)	(1,061)	(112)
Other Grant Income		(945)	(1,125)	(180)
Interest on cash investments		(45)	(351)	(306)
Dividend Income		(100)	(502)	(402)
Movement from Reserves - Refinancing of Capital Programme		(25,078)	(25,078)	0
Movement from Reserves - Review of inherited resources		(4,738)	(4,738)	0
Movement from reserves - S31 NNDR Grant - offsets NNDR Deficit below		(36,612)	(36,612)	0
Movement from reserves - Council Tax / NNDR Losses Grant		(1,021)	(1,021)	0
Movement from reserves - Covid Sales, Fees and Charges		0	0	0
Furlough Claim		0	(31)	(31)
Release of historic balance		0	(474)	(474)
Other Income		(41)	(134)	(93)
Corporate Items	Income Total	(74,632)	(76,230)	(1,598)

Net Budget Requirement		242,215	236,442	(5,773)
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Funding

Council Tax Income		(214,542)	(214,541)	1
Business Rates Income		(57,480)	(57,170)	310
Revenue support grant		(3,022)	(3,022)	0
New Homes Bonus Grant		(2,563)	(2,563)	0
LCTS Grant 2021/22		(3,833)	(3,835)	(2)
Lower Tier Service Grant 2021/22		(445)	(445)	(0)
Sales, fees and charges compensation 2021/22		(1,649)	(2,989)	(1,340)
Top Slice Covid Pressures Grant 2021/22		(1,030)	0	1,030
Release of Residual Covid Grants Tranche 5		0	(1,030)	(1,030)
Collection Fund Deficit Distribution (Council Tax)		2,027	2,027	0
Collection Fund Deficit Distribution (NNDR)		40,322	40,322	(0)

Total Funding		(242,215)	(243,247)	(1,032)
Net Position		0	(6,805)	(6,805)

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Appendix B - BCP Council - Earmarked Reserves

Detail	31/03/21 Actual Balances £000's	Actual movement £000's	31/03/22 Actual Balances £000's	Estimated movement £000's	31/03/23 Estimated Balances £000's	Estimated movement £000's	31/03/24 Estimated Balances £000's
(A) - Financial Resilience Reserves	(53,114)	10,681	(42,433)	26,264	(16,169)	14,828	(1,341)
(B) - Transition and Transformation Reserves	(16,334)	2,000	(14,334)	14,334	0	0	0
(C) - Asset Investment Strategy Rent, Renewals and Repairs	(2,215)	(775)	(2,990)	0	(2,990)	0	(2,990)
(D) - Insurance Reserve	(3,500)	0	(3,500)	0	(3,500)	0	(3,500)
(E) - Held in Partnership for External Organisations	(3,685)	(908)	(4,593)	2,497	(2,096)	100	(1,996)
(F) - Required by Statute or Legislation	(547)	(156)	(703)	(145)	(848)	(145)	(993)
(G) - Planning Related	(1,064)	310	(754)	344	(410)	0	(410)
(H) - Government Grants	(8,619)	(2,573)	(11,192)	6,266	(4,926)	1,369	(3,557)
(I) - Maintenance	(1,452)	51	(1,401)	409	(992)	13	(979)
(J) - ICT Development & Improvement	(1,009)	(417)	(1,426)	658	(768)	10	(758)
(K) - Corporate Priorities & Improvements	(2,096)	(401)	(2,497)	351	(2,146)	527	(1,619)
Sub Total Earmarked Reserve Balance	(93,635)	7,812	(85,823)	50,978	(34,845)	16,702	(18,143)
(Hi) - Government Grants (Covid)	(18,448)	8,869	(9,579)	7,312	(2,267)	1,021	(1,246)
(Hii) - NNDR Covid Grants	(40,409)	22,408	(18,001)	0	(18,001)	18,001	0
(Ki) - Covid recovery resources	(1,318)	313	(1,005)	405	(600)	300	(300)
Sub Total Covid Earmarked Reserve Balance	(60,175)	31,590	(28,585)	7,717	(20,868)	19,322	(1,546)
Total Earmarked Reserve Balance	(153,810)	39,402	(114,408)	58,695	(55,713)	36,024	(19,689)

(A) - Financial Resilience Reserves

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Designed to provide the Council with the ability to manage any emerging issues recognising the Council has been operating for two financial years, of which one was significantly impacted by Covid. Includes reserves to enable the management of the MTFP and resources which provide mitigation against the pandemic relating expenditure.							
Refinancing of the Capital Programme Reserve - step 1	(25,106)	25,106	0	0	0	0	0
MTFP Mitigation Reserve	(13,228)	4,450	(8,778)	8,778	0	0	0
MTFP Mitigation Reserve- annual review of reserves	0	(1,914)	(1,914)	1,914	0	0	0
Regeneration Priorities	0	(3,156)	(3,156)	1,815	(1,341)	0	(1,341)
Cleaner Greener Safer	0	(439)	(439)	439	0	0	0
Outturn 2021/22	0	(6,805)	(6,805)	3,286	(3,519)	3,519	0
Covid 19 Financial Resilience Reserve	(9,982)	0	(9,982)	9,982	0	0	0
Financial Services Capacity system development	(50)	0	(50)	50	0	0	0
20/21 Refinancing capital not applied to 21/22 outturn	0	(2,900)	(2,900)	0	(2,900)	2,900	0
Refinancing of the Capital Programme Reserve - step 2	(4,748)	4,748	0	0	0	0	0
Covid 19 grant upsent moved into financial resilience reserves	0	(8,409)	(8,409)	0	(8,409)	8,409	0
Financial Resilience Reserves	(53,114)	10,681	(42,433)	26,264	(16,169)	14,828	(1,341)

(B) - Transition and Transformation Reserves

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Resources set aside to support the one-off change costs of associated with creating the new council and meeting the Councils costs associated with the transformation programme.							
Transformation mitigation Reserve	(14,149)	0	(14,149)	14,149	0	0	0
Contribution from outside the General Fund towards transformation	(2,000)	2,000	0	0	0	0	0
BCP Programme Resources Pay & Reward Strategy	(185)	0	(185)	185	0	0	0
Transition and Transformation Reserves	(16,334)	2,000	(14,334)	14,334	0	0	0

(C) - Asset Investment Strategy Rent, Renewals and Repairs

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Resources set a side as part of the process of managing annual fluctuations in the rent, landlord repairs and costs associated with the councils commercial property acquisitions as set out in the Non Treasury Asset Investment Strategy.							
Asset Investment Strategy Rent, Renewals and Repairs	(2,215)	(775)	(2,990)	0	(2,990)	0	(2,990)

(D) - Insurance Reserve

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Reserve to enable the annual fluctuations in the amounts of excesses payable to be funded without creating an in-year pressures on the services. Subject to ongoing review by an independent third party.							
Insurance Reserve	(3,500)	0	(3,500)	0	(3,500)	0	(3,500)

(E) - Held in Partnership for External Organisations

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Amounts held in trust on behalf of partners or external third party organisations.							
Dorset Waste Partnership	(202)	0	(202)	0	(202)	0	(202)
Dorset Adult Learning Service	(564)	(88)	(652)	200	(353)	0	(353)
Stour Valley and Poole Partnership	(1,055)	(794)	(1,849)	1,849	0	0	0
CCG Emotional Wellbeing and Mental Health	(408)	330	(78)	78	0	0	0
Local Economic Partnership	(1)	1	0	0	0	0	0
Flippers Nursery	(89)	(99)	(188)	0	(188)	0	(188)
Adult Safeguarding Board	(44)	(23)	(67)	0	(67)	0	(67)
Dorset Youth Offending Service Partnership	(409)	(127)	(536)	100	(436)	100	(336)
Music and Arts Education Partnership	(348)	(59)	(407)	0	(407)	0	(407)
Youth Programme	(50)	0	(50)	0	(50)	0	(50)
Bournemouth 2026 - West Howe Bid	(45)	0	(45)	0	(45)	0	(45)
Better Care Fund	(270)	0	(270)	270	0	0	0
Brain in hand (Sec 256 with Health)	(74)	74	0	0	0	0	0
Aspire Adoption Partnership	0	(90)	(90)	0	(90)	0	(90)
Local Safeguarding Partnership Board	0	(33)	(33)	0	(33)	0	(33)
Charter Trustees	(126)	0	(126)	0	(126)	0	(126)
Held in Partnership for External Organisations	(3,685)	(908)	(4,593)	2,497	(1,997)	100	(1,897)

(F) - Required by Statute or Legislation

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Amounts which the council is required to hold as a reserve in line with current accounting practice or legislative requirements.							
Building Regulation Account	(128)	(11)	(139)	0	(139)	0	(139)
Bournemouth Library Private Finance Initiative (PFI)	(538)	(145)	(683)	(145)	(828)	(145)	(973)
Carbon Trust	119	0	119	0	119	0	119
Required by Statute or Legislation	(547)	(156)	(703)	(145)	(848)	(145)	(993)

(G) - Planning Related

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Reserves designed to support planning processes and associated planning activity where expenditure is not incurred on an even annual basis.							
Local Development Plan Reserve	(644)	160	(484)	344	(140)	0	(140)
Planning Hearing and Enforcement Reserve	(123)	50	(73)	0	(73)	0	(73)
Other Planning Related Reserves	(297)	100	(197)	0	(197)	0	(197)
Planning Related	(1,064)	310	(754)	344	(410)	0	(410)

(H) - Government Grants

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Amounts which the council is required to hold as a reserve in line with specific grant conditions.							
Government Grants	(8,619)	(2,573)	(11,192)	6,266	(4,926)	1,369	(3,557)
COVID 19 Government Grants	(18,448)	8,869	(9,579)	7,312	(2,267)	1,021	(1,246)
NNDR Covid Grants	(40,409)	22,408	(18,001)	0	(18,001)	18,001	0
Total Unspent Grants	(67,476)	28,704	(38,772)	13,578	(25,194)	20,391	(4,803)

(I) - Maintenance

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Reserves and sinking funds designed to support maintenance investments in specific services or assets.							
Corporate Maintenance Fund	(251)	0	(251)	0	(251)	0	(251)
Other Maintenance Related Reserves	(1,201)	51	(1,150)	409	(741)	13	(728)
Maintenance	(1,452)	51	(1,401)	409	(992)	13	(979)

(J) - ICT Development & Improvement

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Resources set aside to meet various ICT improvement projects							
ICT Development & Improvement	(1,009)	(417)	(1,426)	658	(768)	10	(758)

(K) -Corporate Priorities & Improvements

	31/03/21 Actual £000's	Actual Movement £000's	31/03/22 Actual £000's	Estimated Movement £000's	31/03/23 Estimated £000's	Estimated Movement £000's	31/03/24 Estimated £000's
Purpose: Amounts set aside to deliver various priorities, some of which will be of a historical natured inherited from the predecessor authorities.							
Capital Feasibility and Small Works Fund	(107)	91	(16)	16	0	0	0
Local Elections Reserve	(357)	(170)	(527)	(170)	(697)	527	(170)
Other Corporate Priorities & Improvements	(1,632)	(322)	(1,954)	505	(1,449)	0	(1,449)
Covid recovery resources	(1,318)	313	(1,005)	405	(600)	300	(300)
Corporate Priorities & Improvements	(3,414)	(88)	(3,502)	756	(2,746)	827	(1,919)

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Capital investment programme (CIP) – 2021/22 highlights by directorate

1. **Adults Social Care £1.9 million** – BCP invested £1.9 million (through the Better Care Fund) in integrated community care equipment to further promote independent living at home. A business case is being prepared for the provision of Extra Care Housing under the Council Newbuild Housing and Acquisition Strategy (CNHAS) programme.
2. **Children's Services £7.8 million** – In February Council approved an additional £3.4 million capital budget for planned repairs and maintenance, urgent works, climate change/low carbon reduction, design fees for both maintained schools and the SEND programme.

Hillbourne School – A further £5.4 million was spent on Hillbourne new school building in 2021/22, with completion and handover of the new Primary school building to the school in November 2021. The council approved £9.5 million capital budget to construct the new school building, around £4.7 million of which was to be funded from the transfer of surplus playing field land from the school (council) to the Housing Revenue Account (HRA) for housing development. This transfer is now expected to take place in 2022/23, subject to final confirmation from the Secretary of State.

Residual planned works at Bournemouth Learning Centre (BLC) delivered by the Academy progressed at pace during 2021/22 with a spend of £0.9 million. These works will be completed in 2022/23.

St Aldhem's Academy - £0.6 million for a new building (the Annexe), new science lab, new catering room and recently renovated art room was successfully completed in the year to schedule and within capital budget approved.

The final payment of £0.3 million was made to the Cornerstone Academy (formerly Carter Community School). This was a major programme of works at a cost of £7.3 million delivered in partnership with United Learning Trust. The project delivered a 2 form entry expansion including a new general teaching block, technology classrooms, and drama studio, improved and remodelled learning resource centre, science labs, toilets, and staff room, SEND and one to one support facilities, external dining facilities, and improved access routes and circulation routes through the school.

Winchelsea Special School - Recent condition surveys for Winchelsea school buildings highlighted the need for improvement works across the school site. The council has nominated the school for inclusion within the government's school rebuilding programme. The outcome of this process is expected in October 2022. The Service intends to bring a report to Cabinet by September 2022, which will include a summary of all issues and proposed course of action, including funding implications.

Somerford Primary School – The creation of a Winchelsea satellite is in line with the Council's SEND strategy. A report on planned works is being prepared for

Member consideration and approval in Summer 2022, with a view to completing the works in summer 2023.

3. **Highways £26.7 million** –£15.3 million of capital spend was invested in 2021/22 in the Transforming Cities Fund (TCF) programme. This programme delivers approved highways improvements to facilitate sustainable means of travel across the conurbation. During 2021/22 several sections of the sustainable and cycle corridors were completed. This included sections in Bournemouth Gardens, Whitelegg Way, Kings Park, Rigler Road and Queen Anne Drive. This has introduced 6 new crossings (toucan and parallel), 6.4km of new cycle lanes, 3 new bus shelters with RTI, 3 new street lighting schemes and 3 wayfinding schemes.

Around £4.8 million of the total TCF spend related to TCF grant funded works delivered by Dorset council. The programme is funded with £79 million TCF grant together with local contributions from BCP and Dorset councils. In partnership with Dorset Council and the DfT, the programme is monitored closely regarding the impact of market inflationary pressures on deliverability of the remainder of the programme.

In addition to the TCF programme a further £11.4 million was spent delivering non-TCF highways improvements. This represents routine and structural highways and bridges capital maintenance funded predominantly from Local Transport Funding (LTP) and pothole grant together with Challenge Fund grant and some local contribution. Spend included a further £1.3 million on the Ferndown-Wallisdown-Poole corridor which is a scheme that benefited from DLEP grant financing in prior years. Around £1.1 million was spent on Challenge fund schemes and £1.7 million on highways improvements undertaken across the conurbation by Neighbourhood Services.

4. **Coastal Protection £2.5 million** – BCP coastal protection programme is delivered in partnership with the Environment Agency. Spend in 2021/22 included £1.4 million further investment in the ongoing Poole Bay Beach Management programme and £0.4 million to progress Poole Bridge to Hunger Hill (PB2HH).
5. **Regeneration £4.7 million** – This included further investment of £3.2 million in the Lansdowne Business District public realm scheme (funded by DLEP grant and local contribution via developer funding). Phases 1 and 2 are close to completion, the art installation being the principal outstanding works. Further funding for future phases of the scheme is yet to be approved.

Work on relocating the Skills and Learning Service from Oakdale to the Dolphin Centre began in 2021/22. Spend of £0.6 million was incurred with a further £0.8 million profiled to complete the scheme in 2022/23.

6. **Major Development £11.1 million** – The council spent £9.5 million on the Carter's Quay project which is a Build to Rent (BTR) scheme to provide 161 new homes and ancillary ground floor residential amenity and commercial space funded by prudential borrowing.

£1.4 million was spent on the delivery of two of the ten Towns Fund projects, namely Smart Places and Kings Park which included the purchase of the Bournemouth Indoor Bowls Club. Other funds were spent on small scale improvements to the precinct and project and business case development, for the projects approved in the Towns

Investment Plan, including feasibility work on the Royal Arcade and Phase 1 Masterplan.

Additionally, The Futures Fund approved £5.87m for the Smart Place Gigabit Fibre Scheme. The purpose of this investment is to install a core gigabit fibre network, which will be owned by the council, and which can be used to serve key Council buildings and assets across the BCP area. Not only will this help to reduce future revenue costs associated with leasing fibre for the council's WAN network, the fibre can also be used to help serve other council functions such as controlling traffic signals and connecting existing and new CCTV networks. The core fibre network can also be used to support the deployment of future Smart Place infrastructure and devices. £2.6m has also been allocated to supporting the improvements at Pokesdown train station.

7. **Destination and Culture £4.9 million** – This included a total of £3.3 million spent on the seafront development programme of which £1.4 million related to the Durley Chine Environmental Innovation Hub. This project benefited from Coastal Communities Fund grant and has made good progress. Additional capital budget is potentially required to complete the project, with a report from the service expected in due course.

The Bistro on the Beach redevelopment scheme with an approved capital budget of £6.8m has incurred spend of £0.5 million during 2021/22. As the costs of delivery have risen since original approval the service will be presenting a revised business case for additional funding to deliver the full project scope.

Seafront electric BBQs – £0.2 million spend (of a £0.3 million planned budget) was incurred on the project in 2021/22. Whilst phase 2 was due to be completed by the end of May 2022, there have been project delays from difficulties sourcing materials. Installations are either underway or complete at Branksome Chine, Urban Reef, Fisherman's Walk, and the Portman's Ravine. Future BBQs proposed to be installed at Durley, Bistro on the Beach and Sandbanks Pavilion.

A further spend of £0.7 million during 2021/22 saw the completion of the cliff stabilisation works at Canford Cliffs.

The council's cultural programme benefits from Heritage Fund (HF) grant funding for several schemes. A total of £1 million was spent on the following HF schemes during the year: Upton Country Park Discovery project (which includes a new Welcome Centre), Poole Museum final phase of round one bid which culminated in successful award of £2.2 million HF grant which will help to fund major works to the museum, further works on Highcliffe Castle project.

8. **Housing £6.1 million** – The council approved its Council Newbuild Housing & Acquisition Strategy (CNHAS) in November 2021 with £2.6 million spent under this programme in 2021/22, the majority of which was on the acquisition of 1 bedroom flats under the Rough Sleepers Accommodation Programme (RSAP).

Pre-construction has begun at Princess Road which will see the provision of a new hostel and private rented sector accommodation.

Final spend of £1.2 million was incurred at the start of the financial year on completion of 'Treetops' private rented sector housing development (St Stephen's). Properties

are leased to Seascope Homes & Properties Limited. There has been strong demand for these properties, with high occupancy rates.

A further £0.5 million was spent on the Bourne Community Hub in 2021/22.

£1.2 million was spent on the Council's ongoing Disabled Facilities Grants programme (through the Better Care Fund).

9. **Estates £1 million** - This represents spend on hard facilities management across the authority and includes investment in the maintenance of BH Live assets and delivery of a decarbonisation programme funded by Salix grant.
10. **Environment £8.1 million** – The council spent £5.6 million as part of its Sustainable Fleet Management Strategy (approved in September 2021 and funded by prudential borrowing.) This was an underspend of around £4 million against profiled budget which is now added to the 2022/23 profiled allocation. There may be a need for additional budget to be approved over the course of the MTFP in response to increased acquisition prices and supply delays.

£1.9 million was invested in Parks and Open Spaces. This included progression of the Poole Park miniature railway and Fernheath Playing fields pavilion schemes, and completion of the Poole Park Heritage Funded scheme, Kings Park Athletics track and facilities upgrade, and a new aviary in Bournemouth Lower Gardens.

11. **Resources £3.4 million** – The Accommodation strategy programme facilitating the move to new civic office accommodation in Bournemouth continued to progress with a spend of £2.9 million during the year. Further works are required to complete the programme this year which will include the Coroners Service at Poole civic centre and remodelling of BCP Civic Space (West Wing).

The ICT investment plan incurred spend of £0.3 million with a further £0.6 million due in 2022/23. This is in addition to the £4.3 million which is due to be spent this year as part of the Transformation programme's improvements to agile working arrangements, back up and security, and data management.

Appendix D1

HRA Bournemouth Neighbourhood - Revenue Account 2021/22

	budget £000	forecast £000	actuals £000	Dec variance £000	March variance £000	Change variance £000
Income						
Dwelling rents	(22,879)	(22,879)	(22,851)	0	28	28
Non-dwelling rents	(149)	(149)	(145)	0	4	4
Charges for services and facilities	(482)	(587)	(758)	(105)	(276)	(171)
Contributions to expenditure	(60)	(90)	(161)	(30)	(101)	(71)
Other income	0	0	0	0	0	0
Total income	(23,570)	(23,705)	(23,915)	(135)	(345)	(210)
Expenditure						
Repairs and Maintenance	5,782	5,782	6,318	0	536	536
Supervision and Management	6,144	5,689	5,709	(455)	(435)	20
Rent, rates, taxes and other charges	220	240	198	20	(22)	(42)
Bad or doubtful debts	188	188	76	0	(112)	(112)
Capital financing costs (debt management costs)	75	75	75	0	0	0
Depreciation	6,878	6,878	6,869	0	(9)	(9)
Net interest payable	2,487	2,127	2,127	(360)	(360)	(0)
Total expenditure	21,774	20,979	21,371	(795)	(403)	392
Net operating (surplus) / deficit	(1,796)	(2,726)	(2,544)	(930)	(748)	182
Appropriations to reserves						
Transfer to/from HRA reserve	1,796	2,726	2,544	930	748	(182)
Total appropriations	1,796	2,726	2,544	930	748	(182)
(Surplus) / deficit	0	0	0	(0)	(0)	0

HRA Poole Neighbourhood - Revenue Account 2021/22

	budget £000	forecast £000	actuals £000	Dec variance £000	March variance £000	Change variance £000
Income						
Dwelling rents	(20,357)	(20,400)	(20,396)	(43)	(39)	4
Non-dwelling rents	(43)	(27)	(32)	16	11	(5)
Charges for services and facilities	(1,390)	(1,359)	(1,392)	31	(2)	(33)
Contributions to expenditure	(54)	(54)	(54)	0	0	0
Other income	(273)	(266)	(499)	7	(226)	(233)
Total income	(22,117)	(22,106)	(22,373)	11	(256)	(267)
Expenditure						
Repairs and Maintenance	4,031	4,030	4,031	(1)	0	1
Supervision and Management	6,235	6,509	6,462	274	227	(47)
Rent, rates, taxes and other charges	162	162	160	0	(2)	(2)
Bad or doubtful debts	197	197	32	0	(165)	(165)
Capital financing costs (debt management costs)	107	107	107	0	0	0
Depreciation	4,665	4,665	4,768	0	103	103
Net interest payable	3,072	3,233	3,120	161	48	(113)
Total expenditure	18,469	18,903	18,680	434	211	(223)
Net operating (surplus) / deficit	(3,648)	(3,203)	(3,693)	445	(45)	(490)
Appropriations to reserves						
Transfer to/from HRA reserve	3,648	3,203	3,693	(445)	45	490
Total appropriations	3,648	3,203	3,693	(445)	45	490
(Surplus) / deficit	0	0	0	0	0	0

Appendix D2

HRA Bournemouth Neighbourhood - Capital programme 2021/22

	original budget £000	budget adjustment £000	Dec forecast £000	actual £000	variance £000
Major projects - construction					
Moorside Road	2,873	(873)	2,000	2,061	(61)
Templeman House	2,750	(2,084)	666	493	173
Craven Court	1,750	(1,750)	0	5	(5)
Duck Lane Phase 2	1,600	(1,250)	350	8	342
Wilkinson Drive	1,450	(901)	549	80	469
Cabbage Patch Car Park	1,400	(900)	500	113	387
Northbourne Day Centre	1,388	(738)	650	268	382
Luckham Road/Charminster Road	1,212	(60)	1,152	977	175
Princess Road	750	0	750	155	595
Mountbatten Gardens	433	(107)	326	438	(112)
Ibbertson Way	264	(145)	119	119	0
Clifford Road Garages	117	(41)	76	77	(1)
Major projects - feasibility					
Constitution Hill	130	(50)	80	14	66
Barrow Drive Garages	99	(99)	0		0
Heart of West Howe SRT	60	(40)	20		20
31 Alma rd	30	0	30	6	24
Chesildene Drive Play Area	0	10	10	8	2
Godshill Close	0	1	1	5	(4)
Beaufort Park/Cranleigh road	0	20	20	1	19
Sumner Road	0	0	0	7	(7)
Urgent Feasibility works	40	30	70	8	62
Other					
Purchase and Repair - generic code	1,324	(324)	1,000	490	510
Capitalised salary costs	0	420	420	529	(109)
sub-total major projects	17,670	(8,881)	8,789	5,862	2,927

Planned maintenance					
External standard doors	350	0	350	103	247
Fire safety programmes	600	0	600	106	494
Kitchen replacement programme	850	0	850	803	48
Heating & hot water systems	650	0	650	672	(22)
Bathrooms	900	0	900	586	314
Building envelope	0	0	0	0	0
Electrical and lighting works	150	0	150	488	(338)
Door entry system	50	0	50	25	25
Structural repairs and works	35	0	35	17	18
Lift improvements & replacements	140	0	140	179	(39)
Outbuildings (inc garages)	65	0	65	0	65
Asbestos	0	0	0	0	0
Insulation / Energy conservation / Environmental	110	0	110	152	(42)
Windows	1,000	0	1,000	943	58
Building external works	665	0	665	547	118
Boundaries, communal areas, hardscapes, drainage	0	0	0	3	(3)
Roofing	300	0	300	470	(170)
Bedroom extensions	200	0	200	10	190
Plastering	0	0	0	0	0
Housing & Health Safety Cat 1 & 2	0	0	0	0	0
Disabled adaptations	550	0	550	761	(211)
Minor works	145	0	145	213	(68)
Sheltered sites	0	0	0	0	0
Contingency	350	0	350	0	350
Capitalised salaries	336	0	336	333	3
sub-total planned maintenance	7,446	0	7,446	6,411	1,035

total capital programme	25,116	(8,881)	16,235	12,273	3,962
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Percentage budget capital programme spend (as % of forecast)

76%

HRA Poole Neighbourhood - Capital programme 2021/22

	original budget £000	budget adjustment £000	Dec forecast £000	actual £000	variance £000
Major projects - construction					
Cladding	3,079	(159)	2,920	3,040	(120)
New Build - Infill Projects	1,100	(1,077)	23	10	13
New Build - Extra Care	0	0	0	0	0
New Build - Montacute	0	5	5	6	(1)
Old Town Tower Block Works	13,552	(2,302)	11,250	11,811	(561)
Herbert Avenue Modular	2,335	(2,287)	48	19	29
Cynthia House	2,175	(935)	1,240	1,703	(463)
Sprinkler Installations	213	(5)	208	180	28
Hillborne School Development	75	8	83	169	(86)
Moorview Garages Development	0	0	0	0	0
Egmont Road	0	0	0	15	(15)
Sopers/Cavan Crescent Development	0	0	0	2	(2)
Other					
Small Projects/Acquisitions	1,500	1,294	2,794	2,362	432
New computer system	250	0	250	135	115
sub-total major projects	24,279	(5,458)	18,821	19,452	(631)

Planned maintenance					
External standard doors	172	0	172	168	4
Fire safety programmes	481	40	520	498	22
Kitchen replacement programme	863	0	863	949	(86)
Heating & hot water systems	1,219	0	1,219	1,110	109
Bathrooms	272	0	272	343	(71)
Building envelope	318	0	318	359	(41)
Electrical and lighting works	405	20	425	367	58
Door entry system	27	0	27	13	14
Structural repairs and works	8	38	45	44	1
Lift improvements & replacements	18	(18)	0	0	(0)
Outbuildings (inc garages)	45	(25)	20	19	1
Asbestos	95	10	105	134	(29)
Insulation / Energy conservation / Environmental	155	55	210	228	(18)
Windows	637	0	637	673	(36)
Building external works	290	(285)	5	23	(18)
Boundaries, communal areas, hardscapes, drainage	150	(35)	115	149	(34)
Roofing	305	(55)	250	245	5
Bedroom extensions	0	0	0	0	0
Plastering	79	16	95	114	(19)
Housing & Health Safety Cat 1 & 2	138	(98)	40	20	20
Disabled adaptations	360	(110)	250	340	(90)
Various programmes (under £100k)	154	101	255	345	(90)
Sheltered sites	100	(90)	10	29	(19)
Contingency	250	(250)	0	0	0
Capitalised salaries	611	0	611	611	(0)
sub-total planned maintenance	7,151	(687)	6,464	6,782	(318)

total capital programme	31,430	(6,145)	25,285	26,234	(949)
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Percentage budget capital programme spend (as % of forecast)

104%