

Late Report Papers for Corporate and Community Overview and Scrutiny Committee

Date: Tuesday, 27 September 2022



4. Public Issues

To receive any public questions, statements or petitions submitted in accordance with the Constitution. Further information on the requirements for submitting these is available to view at the following link:-

<https://democracy.bcpccouncil.gov.uk/ieListMeetings.aspx?CommitteeID=151&Info=1&bcr=1>

The deadline for the submission of public questions is ordinarily 4 clear working days before the meeting and the deadline for the submission of statements is ordinarily midday the working day before the meeting. However, due to the late publication of the report relating to item 5, the deadline for the submission of questions and statements has been extended to 9am Tuesday 27 September 2022.

The deadline for the submission of a petition is 10 working days before the meeting.

5. Scrutiny of the Finance Strategy Update Cabinet Report

To scrutinise the budget related report scheduled for Cabinet consideration on 28 September 2022.

The Committee is asked to scrutinise and comment on the report (to follow) and if required to make recommendations or observations as appropriate.

Cabinet members invited to attend for this item: Councillor Drew Mellor, Leader of the Council and Portfolio Holder for Finance and Transformation.

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CABINET



Report subject	Finance Strategy Update Report
Meeting date	28 September 2022
Status	Public Report
Executive summary	<p>This report provides the first response to the recommendations of the Finance Update (including quarter one 2022/23 budget monitoring) report to Cabinet on 7 September 2022.</p> <p>Most significantly it includes an update on the Financial Strategy and proposals to prudently position the council to deliver a balanced budget for 2023/24.</p>
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ol style="list-style-type: none"> 1) Acknowledges the progress made towards achieving a balanced budget for 2023/24 and the improved financial position for 2022/23 which is now expected to produce a surplus of £4.2m, excluding transformation costs. 2) Agree that Cabinet is presented with a full report on the impact of the cost of living to its meeting on the 26 October 2022. 3) In advance of (2) Cabinet supports the proposed approach to reassessing the fees and charges levied by the Council. <p>It is RECOMMENDED that Council:</p> <ol style="list-style-type: none"> 4) Pending the presentation of new viable business cases, remove from the Capital Programme the debt commitments to the Winter Gardens and Cotlands developments. 5) Release of earmarked reserves as set out in Appendix C.
Reason for recommendations	<p>Cabinet in considering a Finance Update (including quarter one 2022/23 budget monitoring) report, at their meeting on the 7 September 2022, agreed to place an update on the financial strategy as a standing item on the Cabinet agenda until such time as there is a balanced budget for 2023/24.</p> <p>In addition, as part of the same report, Cabinet agreed to bring forward to the 28 September Cabinet proposals to prudently position the council to deliver a balanced budget for 2023/24 from</p>

	<p>traditional local government financial management processes and revenue sources.</p> <p>This report presents the first update on progress towards delivering a balanced budget for 2023/24.</p>
Portfolio Holder(s):	Councillor Drew Mellor, Leader and Portfolio Holder for Finance & Transformation
Corporate Director	Graham Farrant, Chief Executive
Report Author	Adam Richens, Chief Finance Officer and S.151 Officer adam.richens@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Decision

Background

- Through reports to Cabinet in June 2022 and September 2022 the council reflected on a material change to the risk profile contained within the 2022/23 budget because of:
 - Significant additional cost pressures caused by the cost-of-living crisis in both 2022/23 and future years of the Council's medium term financial plan (MTFP). These pressures are current estimated to be around £25m in 22/23 and £30m for 2023/24. Collectively a £55m impact over the two-year period since the 22/23 budget was set in February 2022. It should be emphasised that these pressures are wholly consistent with those being reported by other local authorities nationally.
 - Work by Cabinet, to develop and implement a cost-of-living mitigation strategy via a series of Budget Challenge meetings in April and May with senior officers.
 - High levels of current financial planning uncertainty caused by the cost-of-living crisis and constant changes and variations to the costs of goods, materials and services required to deliver council operations.
 - A change to the risk profile of the council's current and future years' budgets because of changes to the Flexible Use of Capital Receipts (FUCR) statutory guidance which left the council with a significant shortfall in the funding of its approved transformation programme.
 - A letter from the DLUHC Secretary of State to all Council Leaders on the 1 August 2022 which set out that they will not hesitate to act where the spirit and intent of law is not fully observed and where they believe councils are engaging in practices that put local taxpayers at unacceptable risk.
 - A "minded" to offer of a £20m Capitalisation Direction for 2022/23 as set out in a letter from Paul Scully MP, the then Minister of State at the Department for Levelling Up, Housing & Communities (DLUHC) on the 2 September 2022 which

is reproduced as Appendix A to this report. This capitalisation direction could help the council mitigate the risk to the funding of the transformation programme caused by the change to the FUCR statutory guidance by Government.

2. In addition, the Council needs to continue to reflect on the accumulated and growing deficit on its Dedicated School's Grant (DSG) which on 31 March 2022 was greater than the total general fund un-earmarked reserves of the council. This deficit has been caused by the fact that expenditure in the high needs block which relates to pupils with special educational needs and disabilities (SEND) is greater than the government funding being made available. As it stands unless the current "disregard regulations" that allow the council to ignore the DSG deficit are extended from their current 31 March 2023 deadline then the council will be in an untenable position on 31 March 2024. It is anticipated that the government will extend these regulations, but it must be emphasised that is by no means certain and cannot be guaranteed. The Government continue to work constructively with us on this issue including via the council's participation in the Delivering Better Value in SEND workstream.

In April 2022 nine authorities, on top of a previous five, were told as part of a "Safety Valve" mechanism to make structural reforms to the SEND services with a negotiated contribution from government towards their accumulated deficits. Dorset Council (DC) was one of them. BCP Council has not been invited to be part of the Safety Value mechanism because at the time our deficit compared to our dedicated schools grant was not one of the highest. The reality is this has been an issue nationally since the 2014 reforms and alongside probably numerous authorities nationally the council looks to resolve that matter as our deficit continues to accumulate.

3. Local Government Minister Paul Scully, in his letter of the 2 September 2022 to the Councillor Leader, established that his minded to offer of up to £20m in the form of a capitalisation direction for the financial year 2022/23 was subject to the following conditions.
 - The Council produces a full plan for addressing its budget gap in 2023/24 and beyond and share that with DLUHC by the end of September 2022. This plan should utilise all the resources available to the Council to close the budget gap, be fully within the spirit and intent of all local government guidance and aim to eliminate any exceptional financial support required going forward.
 - An external assurance review of the Council's finances and governance arrangements in the Autumn of 2022.

The letter went onto suggest that the Council should now be making the necessary plans and arrangements to secure its short- and medium-term future.

4. In considering this context Cabinet as part of the financial update (including quarter one 2022/23 budget monitoring) report to its meeting on the 7 September 2022 agreed the following salient recommendations, Cabinet.
 - Brings forward to the 28 September Cabinet meeting proposals to prudently position the council to deliver a balanced budget for 2023/24 from traditional local government financial management processes and revenue sources.
 - Requests the Corporate Directors and Portfolio Holders for Children's Services, Transformation, and Operations to bring forward papers outlining:
 - a) in-year service pressures and the mitigation strategy that will be put in place to manage them.

b) the timeline for the increase in costs for the transformation programme and provide an update on the delivery of 2022/23 budgeted and future years savings.

- Agrees to place an update on the Financial Strategy as a standing Cabinet agenda item until such time as there is a balanced budget delivered for 2023/24.
- Agrees that no new financial commitments will be made until such time as there is a balanced budget for 2023/24 other than with the specific agreement of the Chief Finance Officer in consultation with the Portfolio Holder for Finance.

Updated Financial Strategy

- 5 Through meetings on the 7, 8, 15 and 22 September 2022 Cabinet meet with Senior Officers and developed the following revised financial strategy for 2023/24 which focuses on traditional local government financial management processes and revenue sources. In addition, several smaller working discussions have been held between senior managers and individual portfolio holders to discuss specific service-related budget options.

Financial Outturn 2022/23

6. Acknowledging that the current cost of living crisis creates huge uncertainty, which in turn has the potential to cause significant variability in our financial forecasting, Cabinet agreed to take all possible steps to improve the forecast outturn for 2022/23. This in turn should release resources to support the 2023/24 budget of the council and other budget pressures. Activity which should support this approach includes.
- The approved decision of Cabinet not to undertake any new financial commitments until such time as there is a balanced budget for 2023/24.
 - Robust review of the financial variances presented as part of the first quarter's budget monitoring report. As a reminder the Corporate Directors and Portfolio Holders for Children's Services, Transformation, and Operations are required to bring forward papers outlining their in-year service pressures and the mitigation strategy that will be put in place to manage them. It is suggested that these reports are included in the October Financial Strategy report to Cabinet.
 - A commitment through this report to bring forward a full separate report on the impact of the cost-of-living on the Council, and our communities to the 26 October Cabinet meeting. As part of this finance strategy, we are looking at:
income via fees and charges; potential new areas for income; benchmarking against other councils; a consistent understanding of full cost recovery; maximising returns to the council by way of market recovery; ensuring costs cover both current and anticipated inflation; and consider charging for discretionary services.

Transformation Programme

7. Fundamental review of proposed expenditure to ensure it is absolutely necessary with a focus on delivering the key essential elements of the programme. In undertaking this review the expectation will be that any costs associated with service enhancements will be avoided and all processes possible will be adopted to avoid or reduce redundancy costs.

Non-Strategic Assets disposals

8. Establish a schedule of non-strategic assets disposals which can be used, via the Flexible Use of Capital Receipts (FUCR) statutory guidance, to fund, as a minimum, the £17.9m 2023/24 and £8.9m 2024/25 of Council approved revenue transformation expenditure (net of the current approved capital receipts). In addition, the ambition, will be to fund an additional £10m of investment in both 2023/24 and 2024/25 in the Children's and Adults' specific transformation programmes subject to the presentation of robust business cases which demonstrate both budget savings and adherence to the statutory guidance. Elements of the Children's and Adults' specific transformation programme may appear as separate agenda items on the October Cabinet. This gives a target receipt of a minimum of £26.8m and a maximum requirement of £46.8m.
9. These receipts should also include consideration of any properties which will potentially be released as part of Phase 2 of the Estates and Accommodation Strategy or via work being undertaken by BCP FuturePlaces Ltd on key strategic assets/sites.

Accommodation Strategy

10. Fundamental review of buildings occupied by BCP Council with a view to further consolidating the staff in the Civic Centre and considering future options for owned buildings or passing back leasehold properties as soon as practical. As an example, vacating Beech House on expiry of the lease in June 2025, or earlier through negotiation.

Commercial Opportunities

11. In line with the approved recommendation of Cabinet on 7 September 2022, explore options across the council to deliver revenue through further commercialisation. As an example, review options around Beach Huts and Community Events.

Staff Cost Basis

12. Consideration of several proposals designed to reduce the employee cost basis of the authority either temporary or permanently. These include:
 - Recognising that an element of the improvement in the 2021/22 financial outturn was lower than anticipated staffing costs caused by turnover, increase the percentage of the employee establishment not budgeted for 2023/24 from 2% to 4% as a minimum
 - A review of all vacancy posts to determine those which can be held or permanently removed.
 - Other than in support of statutory services and the delivery of the transformation programme, no new agency costs to be incurred.
 - No agency costs to be incurred, regardless of the service, in respect of business support posts from the end of December 2022.
 - Bring forward at pace a council wide apprenticeship programme.
13. Care will need to be taken with any proposals put forward as part of this updated financial strategy as any savings in staff or third party should, in the first instance, be considered as part of the programmed transformation savings.

An Enabling Council – Strength based approach.

14. Consider the extent to which the community would be better placed to manage council assets and the services delivered within them through volunteers and other sources of funding.

Invest to Save Proposals

15. Consider robust self-financing business cases that utilise the council's ability to borrow to invest in capital infrastructure which additionally will drive down operational costs or avoid demand pressures. Examples would be investment in street lighting to reduce the use of energy, investment in street parking meters, or renewable energy investment.

Harmonisation of services

16. The Council has ambitions to harmonise all services across the conurbation following on from Local Government Reorganisation. Good progress has been made in most areas, but some have been delayed due to the impact of Covid 19 or the need for further government guidance on policy changes. The proposal now is to review all outstanding areas of harmonisation with an intent to eliminate as many areas of difference as possible, within the budget parameters

Integrated Care System

17. Advance ongoing discussions with the representatives of the new Integrated Care System (who represent the delivery of National Health Services across Dorset) with a view to determining how the two organisations can more effectively work together with a view to driving down the overall costs of the system.

Review of Earmarked Reserves and Company/Third Party Balances

18. Annual review of earmarked reserves to ensure funds are not being tied up unnecessarily and were appropriate being released to support the proposed budgets of the council. The mitigation, in support of the 2022/23 cost of living crisis, already makes provision for the significant release of earmarked reserves in 2022/23 and 2023/24.
19. Associated with this is a review of the reserves and balances held by Council owned companies and joint arrangements with a view to determining if such resources can be released back to the council.

Capitalisation – Recharges

20. Further review of any costs currently charged to revenue which in line with the Local Authority Accounting Code of Practice can be legitimately charged to capital. Similarly, consideration should be undertaken to ensure robust arrangements are in place regarding costs apportioned/charged against government grants and the housing revenue account.

Review of the Council's Collection Funds

21. 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.

Influence and Lobbying

22. The focus of this workstream will be twofold.

- Requesting government support the council in managing the financial consequences of the cost-of living crisis.
- Requesting government to change appropriate legislation or allow local authorities to increase appropriate statutorily set fees (such as penalty charge notices for car park enforcement), or where the fee does not cover the cost of the service provided, and charges in reflection of previous and future forecast rates of inflation.

Service Rationalisation

23. Consideration of services that the local authority is not required to provide and consideration of any expenditure on services that it is required to provide which is above the statutory minimum.

Updated Medium Term Financial Plan

24. The 7 September Cabinet report set out the forecast MTFP position assuming the council meets the conditions for the 2022/23 £20m capitalisation direction further to the minded to offer from DLUHC.

Figure 1 Cabinet 7 September forecast MTFP position

	23/24	24/25	25/26	26/27	Total
	£m	£m	£m	£m	£m
Annual – Net Funding Gap	36.4	(7.1)	(2.2)	1.4	28.6
Cumulative MTFP – Net Funding Gap	36.4	29.4	27.2	28.6	

25. It was also acknowledged that this position would materially alter if any of the **key financial planning assumptions**, currently being adopted to underpin the financial planning framework, were to change. These key assumptions were listed as.
- Council Tax*
An increase of 2.99% annually has been assumed (1.99% basic plus 1% Adult Social Care Precept).
 - Council Tax – Tax base*
Tax base increases of 1.27% and then 1.05% in 2023/24 and 2024/25 to reflect the anticipated recovery post the global pandemic followed by increases of circa 0.5% per annum which is more in line with the norm.
 - Second Homes and Empty Homes*
In line with the July decision of Council the assumption of £5.3m extra income from 2024/25 due to the implementation of a 100% premium on second homes and commencing the empty homes premium after 1 not 2 years. This decision is clearly subject to confirmation via the Levelling Up and Regeneration Bill.
 - Pay Award*
£1,925 on every grade in 2022/23, 3% for 2023/24, and 2% annually thereafter.
 - Income*
Further recovery of car parking income from economic recovery after covid19 phased across 2023/23 and 2024/25 and increases in fees and charges.
 - Transformation Savings*
Assumed profile of £8.7m 2022/23, £18.7m 2023/24, £43.9m 2024/25, and £51.1m 2025/26

- g) *2.99% growth restriction in Adults and Children's Services Budgets*
Savings target across the four years of the MTFP from 1 April 2022 to 31 March 2027.

26. Following the work done by Cabinet the MTFP position can be updated as follows

Figure 2: Latest MTFP position 28 September 2022

	23/24	24/25	25/26	26/27	Total
	£m	£m	£m	£m	£m
Annual - Net Funding Gap	16.4	2.0	(3.0)	(1.1)	14.4
Cumulative MTFP - Net Funding Gap	16.4	18.5	15.5	14.4	

27. The key changes between the two reports can be listed as.

- a) Improvement in the forecast outturn for 2022/23 further to the Quarter One Budget Monitoring report presented to Cabinet as part of the Financial Update report to Cabinet on the 7 September. Analysis of these further variances, which amount to a £6.3m improvement, is presented as Appendix B to this report.
- b) Interim review of earmarked reserves as set out in Appendix C.
- c) Review of the assumptions underpinning the MTFP. For example, bringing forward the phased recovery of income based on the positive outturn for 2022/23 and latest forecast for 2022/23. Another example would be the inclusion of additional government funding in support of social care recognising the year-on-year provision of additional resources since 2015/16. An item for further work will be the adequacy of the 3% pay award for 2023/24.
- d) Increases in fees and charges to match inflation in both 2022/23 and 2023/24.
- e) Increase the percentage of the employee establishment not budgeted for 2023/24 to 4% in recognition of the 2021/22 financial outturn and 5% to challenge services into the future.
- f) Beach Hut commercialisation proposals.
- g) Pending the presentation of new viable business cases, the removal from the approved capital programme the debt commitments to Winter Gardens (£52.1m) and Cotlands (£10.6m) developments
- h) Revision to the principles around the £50m Futures Fund and £20m Green Futures Fund. Decisions will now be made as proposals are brought forward with nothing to be brought forward which is not self-financing until such time as the council has a balanced budget for 2023/24 and the budget headroom to afford schemes which are not self-financing.
- i) Additional Treasury Management income to reflect the higher rate of interest being achieved on the council's cash balances further to the increase in the base rate, to 2.25%, by the Bank of England on the 22 September 2022.
- j) The fiscal event on the 23 September 2022 which included confirmation of the proposal to reverse a previous 1.25% national insurance / health & social care levy increase.
- k) Other service efficiencies and changes.

28. The next stages of the workstream will particularly be focused on progressing the conversation around the integrated care system, determining the schedule of non-strategic assets to be put forward for disposal, the review of vacant posts and agency costs, and the review of fees and charges. This work is expected to be completed in time to report to the October Cabinet meeting and Cabinet now have confidence in our ability to close this gap in its entirety in time for the October report. DLUHC continue to be kept up to date with the Councils progress, the approach and the timeline in relation to presenting a balanced 23/24 position in the October report.

Options appraisal

29. This paper builds on the previous recognition of a material changes to the risk profile of the 2022/23 budget and MTFP. This includes significant costs pressures associated with the cost of living, changes to the FUCR statutory guidance, messages from the Secretary of State around ensuring authorities also adhere to the spirit and intent of legislation, and the government being minded-to offer the council a £20m capitalisation direction for 2022/23.

The “minded to” offer of a £20m Capitalisation Direction for 2022/23 could provide an opportunity for the council to avoid bringing forward further capital receipts or resources currently earmarked in support of the 2023/24 budget to fund the cost of its transformation programme. This offer is contingent upon the Council meeting the conditions of the offer letter and further conversations with DHLUC. The Council will keep alternatives to a capitalisation direction, such as additional capital receipts, under constant review alongside the need to consider whether this route best suits its financial strategy.

Conclusion

30. Cabinet has made good progress towards prudently positioning the council to deliver a balanced budget for 2023/24 with the forecast funding gap reduced from £36.4m to £16.4m. That said, the council remains in the position where it has not yet got a full plan for addressing its budget gap for 2023/24 and beyond. Cabinet remains committed to this work with the intent to report the end of September position to Cabinet as part of the now monthly Finance Update reports to its meeting on the 26 October 2022. In support of this workstream Cabinet are meeting with the Corporate Management Board weekly.

Summary of legal implications

31. 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.
32. 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.
33. 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

34. 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.
35. 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

36. There are no direct sustainability implications of this report

Summary of public health implications

37. There are no direct public health implications of this report.

Summary of equality implications

38. 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

39. The risks inherent in the 2022/23 budget were clearly set out in the February 2022 Council budget report for 2022/23. This and the previous June and September finance reports to Cabinet recognised a change in the risk profile and recommends appropriate mitigation to maintain a balanced budget for 2022/23 and make a material impact on the potential funding gap for 2023/24.

Background papers

40. 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>
41. June 2022 MTFP Update report to Cabinet
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5011&Ver=4>
42. Finance Update (including Quarter One 2022/13 Budget Monitoring) report to 7 September Cabinet
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5013&Ver=4>
43. Addendum to the 7 September Finance Update (including quarter one budget monitoring) report Cabinet
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5013&Ver=4>

Appendices

- A Letter from Paul Scully to Drew Mellor dated 2 September 2022
- B 2022/23 Additional Variance Analysis
- C Interim Review of Earmarked Reserves

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Department for Levelling Up, Housing & Communities

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Paul Scully MP

*Minister of State at the Department for Levelling
Up, Housing and Communities Minister for
London*

**Department for Levelling Up, Housing and
Communities**

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London SW1P 4DF

2 September 2022

Dear Cllr Mellor,

2022/23 EXCEPTIONAL FINANCIAL SUPPORT APPLICATION

I am writing in relation to Bournemouth, Christchurch and Poole Council's application for Exceptional Financial Support (EFS) on 15 July 2022. More broadly, and following my previous correspondence, I want to reiterate that I continue to have significant concerns about the present financial strategic direction of the Council and urge you to consider what action is needed to ensure the Council remains in a sustainable position.

In respect to your Council's request for EFS, after careful consideration, I am minded to offer the Council in-principle support of up to £20m in the form of a capitalisation direction for the financial year 2022/23. This letter does not constitute a capitalisation direction but outlines the Government's current position.

In line with the approach adopted for requests for Exceptional Financial Support, this in-principle support is subject to the Council agreeing to the following conditions:

- That the Council produces a full plan for addressing its budget gap in 2023/24 and beyond, and shares this with my department by the end of September 2022. This plan should seek to utilise all the resources available to the Council to close the budget gap, be fully within the spirit and intent of all local government guidance, and aim to eliminate any amount of exceptional financial support required going forwards;
- That the Council undergoes an external assurance review of its finances and governance arrangements. This review will advise on the amount of support required, help to ensure that the Council is on a sustainable footing going forwards, and ensure that policies and procedures are in place for robust decision making and accountability. This review will take place in Autumn 2022 and my officials will be in contact with your officers about this in due course.

Further conditions may apply to any capitalisation direction for 2022/23, including addressing recommendations made by the external assurance review and applying a 1% premium on any borrowing undertaken from the Public Works Loan Board associated with the

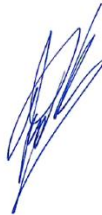
capitalisation direction. A final decision on any total amount of EFS support for 2022/23 will only be taken once an external assurance review has been completed.

The Council also applied for support in 2023/24 and 2024/25. As the Secretary of State made clear during his meeting with you on 11 August, Government will not consider requests for support in these years until after the Local Government Finance Settlement has allocated resources to all councils.

It is my view that the Council should now be making the necessary plans and arrangements to secure its short- and medium-term future. Going forward, it is essential that the Council is able to offer long term security and reassurance to local residents.

My officials and I look forward to continuing to work with you and your officers.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Scully', with a stylized flourish at the end.

PAUL SCULLY MP



BCP COUNCIL

Budget Variances over £100k 2022/23

				£000 June Total Variance	£000 September update	£000 September Total Variance	
Directorate / Service	Type	Description					
Adult Social Care							
Adult Social Care - Services	Cost of living and other service pressures	Third Party Payments	Potential care costs increase following fair cost of care exercise	1,800		1,800	
		Third Party Payments	Care costs for people with long term conditions	1,729		1,729	
		Various	Other miscellaneous pressures (each less than £100k)	149		149	
	Savings, Efficiencies and Mitigations	Third Party Payments	Adjustment to the residential and homecare budget from Covid grants	(257)		(257)	
		Third Party Payments	Care Cost for people with Learning Disabilities and Mental Health needs	(587)		(587)	
		Income	Estimated additional income from Health for Continuing Health Care eligible people and Section 117	(1,233)		(1,233)	
		Income	Service user contributions	(364)		(364)	
		Reserves	Utilisation of earmarked reserves specific to the service	(415)		(415)	
		Employee costs	Directorate unfilled vacancies	(365)		(365)	
		Review of earmarked reserves	ASC Support Grant		(113)	(113)	
		Review of earmarked reserves	Various others <£100k		(235)	(235)	
Adult Social Care - Services Total			457	(348)	109		
Commissioning Centre of Excellence & Public Health	Cost of living and other service pressures	Third Party Payments	Tricuro contract impact of cost of living including energy prices	171		171	
		Various	Other miscellaneous pressures (each less than £100k)	52		52	
	Savings, Efficiencies and Mitigations	Third Party Payments	Tricuro efficiencies to manage energy cost pressure	(171)		(171)	
		Employee costs	Directorate unfilled vacancies	(52)		(52)	
Commissioning Centre of Excellence & Public Health Total			-	-	-		
Adult Social Care Total			457	(348)	109		
Children's Services							
Children's Services	Cost of living and other service pressures	Third Party Contributions	Health contributions for care placements	1,483		1,483	
		School Transport	Non-delivery of SEND transport savings assumed in the 2022/23 base budget	750		750	
		School Transport	SEND / mainstream transport contract costs due to the cost of living including fuel prices	1,250		1,250	
		School Transport	Mainstream transport - other reasons	(200)		(200)	
		Electricity/Gas costs	Assumed price variations	182		182	
		Staffing	Overall staffing - continued need for higher than expected levels of agency	1,960		1,960	
		Staffing	Continuation of additional purchased team (assumed to end in Sept 2022)	630		630	
		Care	Residential care 16-18 savings not deliverable as project not taken forward	211		211	
		Care	UASC - pressure of grant deficit for those aged over 18	708		708	
		Savings, Efficiencies and Mitigations	Review of earmarked reserves	Public Health		(635)	(635)
	Children's Services Total			6,974	(635)	6,339	
	Children's Services Total			6,974	(635)	6,339	
	Operations						
Housing	Cost of living and other service pressures	Electricity/Gas costs	Assumed price variations	155		155	
		Income pressure	Telecare reduction to budgeted income assumed 22/23	250		250	
		Expenditure pressure	Council New Build Housing Acquisition Strategy (CNHAS) saving assumed in the 2022/23 base budget	219		219	
		Expenditure pressure	Housing related support contracts inflationary clause	150		150	
		Service pressures	Housing Options & Partnerships	-	253	253	
		Savings, Efficiencies and Mitigations	Service saving	Additional one-off dividend from Bournemouth Building Maintenance Ltd	(200)		(200)
	Service saving		Harmonisation of recharges to the two HRA neighbourhood accounts	(100)		(100)	
	Service saving		Homelessness Prevention Grant utilised to cover budget costs	(100)		(100)	
	Service saving		Risk & Improvement	-	(154)	(154)	
	Service saving		Other miscellaneous savings (each less than £100k)	(347)	(168)	(515)	
	Housing Total			27	(69)	(42)	
	Environment		Cost of living and other service pressures	Income pressure	Crematorium income pressure	600	
		Expenditure pressure		Hydrotreated Vegetable Oil (HVO) costs	400		400
Expenditure pressure		Volume of waste bins that need replacement		200		200	
Expenditure pressure		Waste Disposal Contract		150		150	
Service pressures		Parks & Bereavement Services		-		-	
Savings, Efficiencies and Mitigations		Service saving	Sales of recycle material – value and volume	(1,000)	(2,149)	(3,149)	
		Service saving	Capitalisation of neighbourhood highways costs less associated borrowing costs	(930)		(930)	
		Service saving	Defer move to HVO fuel across corporate fleet assets (cost avoidance)	(400)		(400)	
		Service saving	Sales of waste material from the Household Waste Recycling Centres	(100)		(100)	
		Service saving	Green Waste Income	(278)		(278)	
		Service saving	Bereavement Services pricing increase options		(167)	(167)	
		Service saving	Other miscellaneous savings (each less than £100k)		(26)	(26)	
		Environment Total			(1,358)	(2,342)	(3,700)

				£000 June Total Variance	£000 September update	£000 September Total Variance		
Directorate / Service	Type		Description					
Destination & Culture	Cost of living and other service pressures	Expenditure pressure	BH Live	436		436		
	Savings, Efficiencies and Mitigations	Service saving	Cultural Compact	(129)		(129)		
		Service saving	Festival Coast Live	(129)		(125)		
		Service saving	Cultural development and networking	(100)		(100)		
		Service saving	Income from BH Live		(200)	(200)		
		Review of earmarked reserves	SLM reserve		(560)	(560)		
Destination & Culture Total				82	(760)	(678)		
Coroners	Cost of living and other service pressures	Expenditure pressure	Increased / complex caseload	100		100		
Coroners Total				100	-	100		
Transport & Engineering	Cost of living and other service pressures	Expenditure pressure	Car Parks, rates increases, card charges and other expenditure items	852		852		
	Savings, Efficiencies and Mitigations	Service saving	Car park income increase to reflect previous year's performance	(691)		(691)		
		Service saving	Beach car park tariffs increased	(359)		(359)		
		Service saving	Street lighting (excluding utility pressure)	(132)		(132)		
		Service saving	Recharging to capital schemes	(340)		(340)		
		Service saving	FCERM one off surplus savings from reserve that was to be used for Hamworthy sea wall defences		(260)	(260)		
		Service saving	Remove seasonal concession for car parking		(150)	(150)		
		Service saving	Capitalisation of asset engineering		(125)	(125)		
Service saving	Various other each <£100k		(119)	(119)				
Transport & Engineering Total				(670)	(654)	(1,324)		
Communities	Savings, Efficiencies and Mitigations	Service saving	Utilisation of the Community Prosecutions Earmarked Reserve	(105)		(105)		
		Service saving	Stopping allocation to development of VRN		(150)	(150)		
		Service saving	Various other each <£100k		(110)	(110)		
Communities Total				(105)	(260)	(365)		
Operations Directorate General	Cost of living and other service pressures	Electricity/Gas costs	Assumed price variations	3,106		3,106		
		Expenditure pressure	Other miscellaneous pressures (each less than £100k)	545		545		
	Savings, Efficiencies and Mitigations	Service saving	Other miscellaneous savings (each less than £100k)	(622)		(622)		
Savings, Efficiencies and Mitigations	Service saving	Cleaner, Greener, Safer - Total	(388)		(388)			
Operations Directorate General Total				2,641	-	2,641		
Operations Total				717	(4,085)	(3,368)		
Resources & Transformation								
Customer & Service Delivery	Cost of living and other service pressures	Electricity/Gas costs	Facilities Management - Assumed price variations	485		485		
		Service pressures	Library PFI Contract inflationary clause	150		150		
		Service pressures	Other < £100k	83		83		
Customer & Service Delivery Total				718	-	718		
Resources & Transformation General	Cost of living and other service pressures	Employee costs	Major projects team salaries pressure	135		135		
		Third Party Payments	Software contracts inflationary clause - resources	157		157		
		Transformation	Shortfall against transformation target	1,595		1,595		
		Service savings	Various other each <£100k	52		52		
Resources & Transformation General Total				1,939	-	1,939		
Resources & Transformation Total				2,657	-	2,657		
Central Items								
Central Items	Cost of living and other service pressures	Various	Other miscellaneous pressures (each less than £100k)	(34)		(34)		
		Employee costs	Assumption that the pay award will be above budget at 4% (May) / £1,925 per FTE (June)	4,139		4,139		
		Employee costs	Assumed 20% element of transformation related redundancy costs which cannot be funded from the FUCR in line with the regulations which apply from 1 April 2022 onwards	250		250		
	Savings, Efficiencies and Mitigations	Income	Additional Treasury Management Income due to higher interest rates and the additional money made available to the council in advance of spend.	(1,320)	(100)	(1,420)		
		Earmarked Reserve	Release Transformation Mitigation Earmarked Reserve not utilised as planned in 2021/22	(1,949)		(1,949)		
		Earmarked Reserve	Release part of the additional 2021/22 surplus to support the impact of the cost-of-living crisis on the council - at June not needed	-		-		
		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)		(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)		(1,402)		
		Financial Services	Stour Valley and Poole Partnership Revenue and Benefits (SVPP) – release of the 2021/22 operational reserve	(435)		(435)		
		Contingency	Contingency released to support in-year position	(2,256)	70	(2,186)		
		Beach Huts	Beach hut income as not being transferred to a special purpose vehicle	(3,700)		(3,700)		
		Corporate Provisions	Bournemouth Development Company (BDC) released portion of provision	(1,000)		(1,000)		
		Minimum Revenue Provision	Winter Gardens finance loan		(304)	(304)		
		Transformation	Remove 2022/23 share of redundancy costs that cannot be charged to transformation		(250)	(250)		
		Employee costs	Removal of 1.25% National Insurance Levy from November 2022		(583)	(583)		
		Central Items Total				(9,144)	(1,167)	(10,311)
		Central Items Total				(9,144)	(1,167)	(10,311)
Grand Total				1,661	(6,235)	(4,574)		

Financial Strategy 2023/24

Review of Earmarked Reserves (September 2022)

Cabinet is recommended to release the following amounts in support of the 2023/24 proposed budget of the Council.

- (£1.5m) Asset Investment Strategy, Rent, Renewals and Repairs Reserve**
Resources set aside as part of the process of managing annual fluctuations in the rent, landlord repairs and costs associated with the council's commercial property acquisitions as set out in the Non-Treasury Asset Investment Strategy. Reduction reflects the intent in the financial strategy to dispose of a number of non-strategic asset investments. The proposal is a 50% reduction on the £2.99m held in the reserve as of 31 March 2022.
- (£0.6m) SLM Contract – Covid 19 Recovery Earmarked**
Release resources previously set aside to mitigate the recovery of the SLM contracts from the implications of the pandemic. Any variations will be addressed as part of the budget for each relevant year.
- (£0.2m) Adult Social Care – Various reserves which can be reduced or removed**
£113k Covid pressures, £50k Adult Social Care support grant, £31k Campus Funding, £20k Better Care Fund.
- (£0.1m) Sinking Funds – Figbury Lodge £82k and Fairways £52k**
Release all the resources previously set aside as part of the original business cases to provide for a major refurbishment, after 25 years of the 50 years business case, plus any interim infrastructure maintenance not passed to the care provider via the contract. The budget for 2023/24 will retain ongoing provisions.

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