

# Supplementary Papers for Cabinet for Information Only

Date: Wednesday, 8 March 2023



---

## 3. Confirmation of Minutes – Finance Update relating to Minute No. 117

3 - 8

To provide an update for information to Minute No. 117 to the Cabinet Minutes of 8 February 2023.

Published: 07 March 2023

This page is intentionally left blank

## CABINET



Report subject	<b>Finance Update Report to Minutes of Cabinet meeting held on 8 February 2023 (Minute No. 117 Refers)</b>
Meeting date	8 March 2023
Status	Public Report
Executive summary	The council continues to take all necessary actions to balance the budget and to eliminate any need for Exceptional Financial Support in 2022/23.
Reason for update	This report provides Cabinet with an update in respect of the latest position on in-year asset sales which will impact on the extent of the capitalisation direction previously requested for 2022/23 is actually required.
Portfolio Holder(s):	Cllr Mike Greene – Portfolio Holder for Finance, Net Zero and Transport
Report Authors	Adam Richens Chief Finance Officer and Director of Finance 01202 123027 <a href="mailto:adam.richens@bcpcouncil.gov.uk">adam.richens@bcpcouncil.gov.uk</a>
Wards	Council-wide
Classification	For Information

### Background Detail

1. In the recently approved budget for 2023/24 matters associated with the capitalisation direction for 2022/23 were identified as a key risk. Reference was made to both the ability of the council to achieve asset sales as a mechanism to eliminate the amount of exceptional financial support as much as possible, as well as governments completion of the process to confirm the availability of the capitalisation direction.
2. As a reminder a capitalisation direction provides the ability to borrow to fund revenue expenditure which is generally disallowed by legislation and for the cost to be spread over a 20-year period. In his letter of 2 September 2022 Paul Scully MP, the then Minister of State at the Department for Levelling Up Housing and Communities

(DLUHC) the council was offered a minded to, in principle, £20m capitalisation direction for 2022/23 subject to the following conditions.

- Producing a balanced budget for 2023/24 which seeks to use 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 forward.
- An external review of the council's finances and governance arrangements to take place in the autumn of 2022.

3. Reflecting on each of these in turn the recently approved budget was premised on the basis that.

- a) £19.9m in forecast 2022/23 revenue spend on the transformation investment programme would be financed, via the flexible use of capital receipts, from asset sales.

An amount of £1.9m in unapplied capital receipts was brought forward from previous years leaving £18m in additional receipts to be generated in 2022/23 if a capitalisation direction for this element is to be avoided.

At the time of writing the council is forecasting it will generate £21.1m in actual receipts during this financial year which would cover the costs for the transformation programme in 2022/23 and result in £3.1m being carried forward into 2023/24. This includes forecast receipts from both the Wessex Trade Centre and 13 of 16 lots associated within Airfield Industrial Estate all of which were in line with or greater than the disposal value agreed by Council. The council will now look to sell the remaining 3 lots at Airfield Industrial Estate through private treaty or auction in 2023/24.

The extent to which the council does manage to avoid needing a capitalisation direction to fund this element of the programme in 2022/23 will depend on both the final in-year expenditure on the transformation programme and the final amount of capital receipts actually received prior to 31 March 2023.

- b) £1.92m forecast 2022/23 revenue spend of the Children's Services transformation investment programme would be funded via a capitalisation direction.

It has consistently been assumed that this expenditure does not meet the definition which would enable it to be funded via the Flexible Use of Capital Receipts. However, additional assurance work is now to be undertaken to confirm if this continues to be the case. Any cost within that which can be covered under the FUCR would reduce the £1.92m required and would consequently reduce the amount of capital receipts carried forward into next year.

Recognising the commitment to eliminate the amount of exceptional support as much as possible the approach will be to use any improvement in the 2022/23 financial outturn that may materialise, to avoid or reduce the extent to which the capitalisation direction is required.

The forecast outturn for 2022/23 continues to be £10.6m as per the 2023/24 budget report as adjusted by £0.5m of the extra resources released under the final local government finance settlement for 2023/24 and which formed the basis of the approved budget amendment.

4. In respect of the external finance and governance review the latest position is that DLUHC continue to signal their intent to commission this review shortly as set out in the letter from Lee Rowley dated 25 January 2023, the work having been slightly delayed due to the reshuffle of Ministers.
5. To provide assurance to DLUHC that the council is working proactively on these matters the Leader has recently written to Lee Rowley as attached at Appendix A. In addition, he has asked the Chief executive to proactively carry out an assurance review.
6. The council is also keen to strengthen its relationship with the External Auditor and the Leader has recently met with Paul Barber at Grant Thornton to that effect.

#### **Options appraisal**

7. The council retains the option not to take up the offer of a capitalisation direction for 2022/23. This is something it will wish to consider further once the final 2022/23 outturn is known alongside any conditions included the final offer letter.

#### **Summary of legal implications**

8. As set out in the substantive report.

#### **Summary of human resources implications**

9. There are no direct human resource implications of this report.

#### **Summary of sustainability impact**

10. There are no direct sustainability implications of this report.

#### **Summary of public health implications**

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

#### **Summary of equality implications**

12. There are no direct equality implications of this report.

#### **Summary of risk assessment**

13. As set out in the substantive report.

#### **Background papers**

14. None.

#### **Appendices**

- A Letter from BCP Council Leader to Lee Rowley, Minister for Local Government

This page is intentionally left blank

Leader's Office  
BCP Council  
Civic Centre  
Bourne Avenue  
Bournemouth  
BH2 6DY



**Lee Rowley MP**  
Parliamentary Under-Secretary for Local  
Government and Building Safety  
Department for Levelling Up, Housing and  
Communities  
Fry Building, 2 Marsham Street  
London SW1P 6DY

Date: 3 March 2023  
Our ref: CD  
Contact: Councillor Broadhead  
Email: [philip.broadhead@bcpcouncil.gov.uk](mailto:philip.broadhead@bcpcouncil.gov.uk)

Dear Minister,

### **BCP Council – 2023/24 Budget Plans and update**

In response to your letter dated 25 January 2023, I thought I would write to you as the newly elected Leader of BCP Council to update you on the 2023/24 budget of the council, the progress we have made and the position in respect of the £20m “minded to” capitalisation direction for 2022/23.

Ahead of this year’s budgeting setting process, starting in the summer the senior Council Cabinet team working alongside the Corporate Management Board undertook a protracted series of deep dive programmes designed to mitigate the impact of the inflationary environment on the Council. As you may be aware, we have calculated the impact of inflation alone to be around £54m to the council, and we were determined that we would meet this challenge face on to avoid having to make painful decisions around council services.

The outcome of this programmed workstream was a projected £10.2m surplus for the financial year 2022/23, which enabled us to put together a draft budget, based on the traditional and conventional approaches to the formation of a local authority budget and in line with the spirit and intent of all local government finance legislation. This draft budget offered a balanced position for 2023/24 and avoided the need for any significant cuts to council services, whilst also allowing us to continue investing in the future and our most vulnerable – particularly our Children’s Services.

Following this draft Budget, on 21 February 2023 the Council formally approved its budget for 2023/24 based on the following broad parameters.

- 4.99% Council Tax increase (2.99% basic and 2% Social Care Precept).
- £34.3m of savings, efficiencies, increases to fees and charges, and service adjustments which are on track to be implemented over the next 4 months. These savings and efficiencies are in line with our expectations and similar to those delivered on track in previous years.
- An additional investment of £1.9m into unearmarked reserves to ensure they represent 5% of Net Revenue Expenditure, in line with good practice.

During the budget setting process, in recognition of our position within a no overall control council, I worked closely with the leaders of other political groups to ensure that the final budget proposals of the administration took into account a large proportion of the suggestions from their alternate budget proposals. I thank the other political parties’ leaders for positively engaging with this process. This enabled very few areas of disagreement, and this cross-party collaboration was invaluable in helping to determine a council amendment to the budget recommended by Cabinet, which picked up amongst other things the extra funding we were allocated by the government as part of the final local government finance settlement for 2023/24.

This agreed budget, alongside our transformation programme, leaves us in the position of having a cumulative medium term funding gap over the next four years of only around £12m. Whilst recognising we still have work to do to keep this momentum going, I hope the ability to demonstrate such a relatively balanced revenue position in the circumstances of the serious national and international headwinds gives you and your team confidence that we are managing the Council's longer term financial sustainability with rigour and confidence.

I can also reaffirm the ongoing commitment to the above-mentioned transformation of the council and our continuing journey to create a vibrant new authority which re-imagines and creates a modern and efficient organisation. The funding of this programme was fundamentally altered by changes to legislation last year, which in turn was followed by a welcomed 'minded to' offer from your predecessor of a capitalisation direction of upto £20m to fund the gap we faced due to this change in legislation. As per the content of Minister Paul Sculley's letter of the 2 September 2022, we have continued to use best endeavours to eliminate the need to require ANY such government support in this regard, and I am delighted to be able to write to you to update you on our progress in that position.

Council in January 2023 agreed to asset sales primarily for two industrial estates which, coupled with other, long term asset disposals already in hand, aimed to avoid the need for any capitalisation direction at all. I am pleased to confirm that those asset sales have progressed ahead of our valuation targets, and are on track to complete by the end of this financial year, 31 March 2023. Coupled with other workstreams progressing to assure the delivery of our Children's Services workstreams, I can therefore give you assurance that the welcome backup of the financial support from Government should not be needed. My officials will confirm this with your team imminently.

Furthermore, I have been working closely with our finance team to assess any further asset sales that may be required to fund our transformation programme for next year. It seems likely that the level of asset sales to fulfil this requirement now stands at circa £6m. We have ample assets, many of which could easily fill this requirement: and indeed at our next Cabinet meeting on Wednesday are considering a long standing asset sale which alone could cover that need. I am therefore confident that no further government support or capitalisation direction will be needed in this regard next year as well. In addition, we have set up a cross party working group to monitor this progress.

I have also, only today, had a productive meeting with the Council's independent auditor, to update them of the above positive financial updates and give further assurance about our plans for the future. They seem pleased with the progress made and committed to a continued positive working relationship.

I hope that this gives you a significant degree of assurance about the management of BCP Council.

However, to add to that I have asked our Chief Executive to carry out his own assurance review and I will be happy to share that with you as soon as it is complete. That is intended to give you a further layer of assurance which you may be able to accept, or may wish to test independently. The aim of this review is to give myself and the Council a clear indication of where further improvements may be needed, alongside an agenda to complete any changes to the way that the Council operates from the local elections in May.

I hope that this letter is helpful to you and colleagues, and I look forward to continuing to work with you.

Yours sincerely



**Clr Philip Broadhead**  
**Leader, BCP Council**