

Cabinet



Report subject	Quarter One Budget and Performance Monitoring Report 2019/20
Meeting date	11 September 2019
Status	Public Report
Executive summary	<p>This report presents the council's performance against budget for the period 1 April 2019 to 30 June 2019.</p> <p>In summary, the general fund revenue projected outturn for 2019/20 is a pressure within services net expenditure of £5 million. These pressures should though not result in a deficit as additional resources were allowed for within the overall budget approved by the BCP Shadow Authority in February 2019 to manage the greater than normal level of uncertainty in the first year of the new Council. These additional resources can be listed as;</p> <ol style="list-style-type: none">1) A £2.7m revenue budget contingency designed to cover ongoing pressures not recognised or foreseen in service budgets.2) £6.3m in service specific Financial Resilience earmarked reserves designed to enable the service to manage any one-off emerging issues as they strive to deliver the seamless transfer of services. <p>At this early stage in the financial year the reported shows the potential use of some of these additional resources.</p> <p>This report requests that the Corporate Directors report further on service pressures and the detailed actions they propose in mitigation. Only once these actions plans have been agreed and had chance to mature will consideration be given to the formal application of the additional resources.</p> <p>It is also important to emphasise that;</p> <ol style="list-style-type: none">a) at this stage in the financial year the forecast is just a projection and the deficit has not yet actually occurred. Positive management action can prevent the full level of this position from materialising.

	<p>b) historically the first quarter budget monitoring within the legacy Councils has presented a generally pessimistic view of the projected outturn with improvements over each subsequent quarter.</p> <p>c) the Council's strong culture of active financial management is expected to continue to serve it well.</p> <p>In addition, arrangements for non - financial performance monitoring for 2019/20 are noted in paragraph 68.</p>
Recommendations	<p>It is recommended that Cabinet:</p> <p>1) approves the actions set out in paragraphs 74 to 77.</p> <p>It is recommended that Cabinet note:</p> <p>2) the contents of the report.</p> <p>3) the position of the forecast for the General Fund outturn for the financial year ended 31 March 2020.</p> <p>4) the update (set out in Appendix C) from the Corporate Director for Children's Services on the progress in delivering a sustainable solution to the High Needs element of the Dedicated Schools Grant.</p> <p>5) the forecast year end outturn positions for capital, reserves and Housing Revenue Account neighbourhood accounts.</p>
Reason for recommendations	<p>To comply with the draft CIPFA Financial Management Code of practice.</p> <p>To facilitate the implementation of a strong and active culture of financial management within the BCP Council by identifying when prompt management intervention and action is needed to avoid an adverse impact on future service delivery or the achievement of future corporate objectives.</p> <p>All Directors have confirmed their acknowledgement of the issues raised.</p>

Portfolio Holder(s):	Cllr David Brown – Finance Portfolio Holder
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Contributors	Dan Povey, Acting Assistance Chief Finance Officer Nicola Webb, Assistance Chief Finance Officer Matthew Filmer, Finance Manager
Wards	All Wards
Classification	For Decision

Background

1. To ensure that it remains financially sustainable the council will need to receive timely information on its financial and operational performance. The development of the budget monitoring arrangements for Bournemouth, Christchurch and Poole (BCP) Council has been informed by the good practice adopted by each of the predecessor councils alongside the draft CIPFA Financial Management Code of Practice.
2. It is proposed that quarterly budget monitoring reports be presented to Cabinet and this is supplemented by the monthly presentation of key financial performance information to the Council's Corporate Management Board (CMB).
3. The purpose of the budget monitoring process is to present summary information to help the Leadership Team to identify and correct emerging risks to its budget strategy and financial sustainability.

Role of the Corporate Management Board

4. In addition to the quarterly budget monitoring reports to Cabinet it has been established that the BCP Corporate Management Board (CMB) will undertake;
 - a) regular reviews of the 2019/20 budgeted savings delivery plan along with an assessment of the progress.
 - b) scrutiny of high risk budget areas by reviewing key financial health indicators for the authority which can be listed as;

Adult Social Care

- Independent Sector Home care costs for people with Long Term Conditions (monthly)
- Independent Sector Home care costs for people with Learning Disabilities (monthly)
- Service User Contributions (monthly)

Children's Services

- Children In Care (CiC) – Number and cost (monthly)
- Dedicated Schools Grant – High Needs Budget (monthly)
- Children's Workforce (quarterly)

Regeneration and Economy

- Planning Fee Income (monthly)
- Parking Income (monthly)
- Concessionary Fares – Payments to Bus Operators (quarterly)
- Seafront/tourism income (monthly)

Environment and Community

- Bereavement Income (monthly)
- Waste Disposal Tonnage and Cost (monthly)

Corporate Services

- Local Land Charges Income (monthly)
- Investment (Non-Treasury) Income (quarterly)
- Income Collection Performance (quarterly)
- Treasury Cash Investments (quarterly)
- S106 / CIL Contributions (quarterly)
- Successful Grant Bid Log (monthly)

- c) consideration of any emerging risks communicated via each Corporate Director based on the dialogue with their Directors of Service at their Directorate Management Teams.
5. A balanced budget for the BCP Council for 2019/20 was set by the BCP Shadow Authority at its meeting on the 21 February 2019. This was based on a net budget requirement of £274m, a total council tax requirement of £209.6m and incorporated £29m of additional resources, savings and efficiencies needed to balance forecast growth and cost pressures for the year alongside a further £7m per annum reduction in the core government funding.
6. In recognition of the higher than normal level of uncertainty in the first year of the new Council, and in line with best practice, £2.7m was included in the revenue budget as a contingency to manage ongoing pressures not recognised or foreseen when the budget was approved by the BCP Shadow Authority in February 2019. In addition, £6.3m was set aside in service-specific Financial Resilience earmarked reserves designed to enable the service to manage any one-off emerging issues as they strive to deliver the seamless transfer of services to the new Council.
7. Based on activity in the first quarter, the current estimate is a £5 million pressure within services net expenditure. However, this projection is before consideration is given to the use of the contingency or to the draw down from the earmarked financial resilience reserves. It should also be highlighted that at this stage in the year forecasts are often pessimistic and there is only one quarter of activity to review in considering expenditure trends for the new Council.

8. **Figure 1** sets out a summary budget monitoring statement of projected variances by Directorate for the 2019/20 financial year.

Figure 1: General Fund – Summary – Projected Outturn as at 30 June 2019

	June Actuals £000s	Approved Resources £000s	Projected Outturn £000s	Projected Variance £000s
Service Budgets				
Adult Social Care & Public Health	25,309	108,890	108,890	0
Children's Services	17,598	60,962	63,912	2,950
Regeneration & Economy	(261)	7,287	8,520	1,233
Environmental & Community Resources	4,084	46,839	47,649	810
	(33)	29,711	29,711	0
Total Service Position	46,697	253,689	258,682	4,993
Corporate Budgets				
Investment Property Income	(1,436)	(5,743)	(5,743)	0
Pensions (<i>backfunding</i>)	2,357	9,428	9,428	0
Provision for the repayment of debt (<i>MRP</i>)	0	9,501	9,501	0
Other Corporate Items	0	(56)	(56)	0
Interest on borrowings	779	3,114	3,114	0
Investment Income	(46)	(185)	(185)	0
Revenue Contribution to Capital (RCCO)	0	1,726	1,726	0
Total Corporate Budgets	1,654	17,785	17,785	0
Total Budget excluding Contingency	48,351	271,474	276,467	4,993
Potential use of Contingency	0	2,673	0	(2,673)
Potential use of Resilience Reserves	0	0	(2,320)	(2,320)
Net Budget	48,351	274,147	274,147	0

9. In the first quarter activity has included aligning the approved budget to the emerging corporate structure with this activity now substantially complete. The variances shown above are against this revised position.
10. Across services there has been delay in staff restructuring with savings not expected to be realised according to the budget profile but this should impact only in the current year. Other identified pressures could have longer term impact as they represent a rising trend in demand for or cost of services or reduced projected income. The extent to which management action can mitigate these pressures is being established before allocating the contingency or forecasting a use of the earmarked resilience reserves.
11. Work underway to address the potential deficit includes:
- Completion of new staffing structures to achieve savings in bringing the Councils together.
 - Review by service managers of budgets and related activity to identify any further savings in the current year and any that can be taken forward into the Medium Term Financial Plan (MTFP) for future years.
 - Systematic review by senior officers and Cabinet of high value budgets with the aim of identifying options for harmonising policies, establishing consistent service standards as

well as identifying where savings can be made to close the MTFP funding gap. This may also identify potential savings for the current year.

12. Summary text explaining the projected position for each Directorate is shown in the following paragraphs. In accordance with the Council's financial reporting requirements **Appendix A** provides the detail of all variances which are forecast to be in excess of £100,000 along with any significant issues that Members should be aware of. The presentational convention is that favourable variances are shown in brackets.

Adult Social Care Directorate

13. Adult Social Care is projecting a balanced position for the financial year.
14. The projection has been based on broad assumptions and trends for the cost of care and related income from service users. Processes and data quality following the implementation of the Mosaic System and the transfer of data on Christchurch packages of care following Local Government Reorganisation (LGR) require further development.
15. Work is continuing to ensure the integrity of data for all packages of care for Christchurch and to develop the functionality of the Mosaic IT System and related finance systems in terms of the automation of payments to providers and billing of service users.

Children's Services Directorate

16. The projected deficit of £2.95m generally reflects forecast growth in demand for services and delay in the implementation of new staffing structures.
17. The cost of Children in Care (CiC) is currently projected to be to be £1.5m in excess of the budget by year end with there being several elements associated with this forecast. The first is that the level of cases inherited in respect of the Christchurch area is higher than previously known and this equates to an annual cost of £353k. The second is the budget assumed an average of 471 CiC cases across the financial year. As at the end of the June the actual number is below this level at 468. However, based on the professional judgement of officers, experience and trend analysis the expectation is the average will be exceeded in the remaining period of the financial year. This judgement is also informed by the change in the profile of CiC with a significant increase in the number of teenagers, the overall rise in complexity of cases, and a higher than normal level of placement moves.
18. The level of Special Educational Needs and Disabilities (SEND) pupils who the Council are required to provide with free school transport is projected to be £400k higher than assumed in the BCP 2019/20 base budget. This reflects a rise in the number of entitled pupils which emerged in the final quarter of 2018/19. This increase will also be reflected in the cost of school placements for this group of pupils, funded from the Dedicated Schools Grant, which is discussed later in this report. Action to address the budget deficit includes reviews of policies for entitlements, and individual pupils travel arrangements as well as providing travel training to increase independence and improve outcomes.
19. Additionally, delays in delivering reduced staff costs in Business Support, has been put in place in order to protect front line capacity through the LGR programme. This is projected to create a pressure of £200k compared to the budgeted position. It is anticipated that this will be a one-off impact with spend reduced accordingly for future years.

20. Due to insufficient time to enable the restructure of the service in line with the budget profile the assumed £250k half year saving will now be delayed. This should not impact on the Medium Term Financial Plan.
21. Pressures are also being projected in the Children's front door Social Work Teams of £345k and as a consequence of £255k being spent on interim management to provide additional support across the Directorate in order to make faster progress with service transformation.

Regeneration and Economy Directorate

22. The Directorate is forecasting a £1,233k pressure.
23. Within this Growth and Infrastructure is projecting a net pressure of £563k. The quarter one projected annual variance in passenger numbers for concessionary fares indicates that the budget will be exceeded by £373k if the trend continues during the remaining nine months of the financial year. The £373k includes a price increase in the rate paid for the Christchurch conurbation to ensure consistency across the authority. Additionally, and despite extra resources being set aside in the BCP base budget, price inflation in street lighting indicates a further projected pressure of £215k. These overall pressures are slightly reduced by the net impact of a £100k saving from the renegotiation of the bus subsidy contract and extra traffic management costs.
24. Development services have experienced unexpected redundancy costs due to staff changes at the start of the year contributing a pressure of £120k.
25. Destination and Culture services are forecasting pressures of £550k. Significant items include pressures in the Christchurch Leisure Centre (Two Riversmeet) staffing budgets of £130k and seafront activities of £121k. Other pressures are within cultural attractions and library services of £299k.

Environment and Community Directorate

26. There is a net budget projected deficit of £810k with the pressure purely associated with the Environment Service Area.
27. Most significantly this is related to the reduction of income from both the Bournemouth and Poole crematorium. The projection is that there will be a £610k shortfall against the overall crematorium annual income target of £5m further to the £350k provided for as part of the base BCP Budget for 2019/20. This is largely due to the opening of another new private crematorium just outside the BCP conurbation with a new private Chapel for ceremonies within Christchurch.
28. A separate report setting out proposals for phase 1 of a business case to help mitigate the pressure on crematorium income is scheduled to be considered by Cabinet on the 9 October 2019. It is anticipated that this will propose using resources set aside in a Bereavement Services specific earmarked reserve to help remodel the service.
29. In addition, income from concessions and chargeable activity are below expectations by £200k in park services.

30. Both the Housing and the Community Service Areas are currently indicating a balanced position.

Resources Directorate and Corporate Items

31. There are no significant budget variances currently forecast with a balanced position expected.
32. As set out earlier in this report the Council continues to hold a base revenue contingency of £2.7m. The Councils Cabinet and Corporate Management Board will continue to reflect on the extent to which it should be applied to support the in-year projected deficit.

Reserves

33. In addition to the revenue budgets of the Council good practice dictates that authorities should be closely monitoring the material elements of their balance sheets that may give indications of a departure from financial plans. Two key elements of this are the performance of the council's commercial asset portfolio which is monitored in the information that will be presented to the Corporate Management Board, and the unplanned and planned use of reserves.
34. **Appendix B** presents the forecast use of the Councils £49m of earmarked reserves in 2019/20. This includes the use of resources to support major transformation and step-change initiatives, management of the phasing of grants and partnership expenditure, as well as expenditure to support priorities and the delivery of efficiencies and improvements in the effectiveness of Council arrangements.
35. Explanations for significant anticipated movements in earmarked reserves during 2019/20 not mentioned elsewhere in this report are as follows;

Transition and Transformation Reserves

- a) £5,183k BCP Programme Management costs
Drawdown of previously budgeted resources either originally planned for 2019/20 or slipped from 2018/19.
- b) £2,400k High Needs Block – One Off Contribution towards 2019/20 Deficit
BCP contribution to the deficit on the High Needs Block (2019/20 only).

Asset Investment Strategy

- c) £390k Asset Investment Strategy Rent Renewals and Repairs Reserve
Landlord works in respect of the lease of units at Mallard Retail Park further to the decision made on the 5 March 2019 by Bournemouth Borough Council less in year contribution to the reserve.

Reserves held in Partnership with External Organisations

- d) £595k Stour Valley and Poole Partnership (SVPP)
Drawdown of reserve as approved by SVPP Joint Committee / Board to support staff rationalisation and ICT improvements

Reserves required to be held by Statute or Legislation

- e) £754k Business Rates Settlement Grant 2019/20
This grant announced as part of the Local Government Settlement for 2019/20 was actually paid in 2018/19.

Government Grants

- f) £1,206k Troubled Families Grant
Utilisation of the grant in line with the expenditure profile.
- g) £646k Homelessness Reduction & Support Grants
Utilisation of grants to provide additional capacity to the Council
- h) £386k Adult Social Care Support Grant
Drawdown of reserve in support of Extra Care Housing costs.
- i) £305k Winter Pressures Grant
Use of reserve to manage resident care costs as a result of last years ongoing winter pressure costs.
- j) £150k Large Sites and Housing Zone Capacity Grant
Drawdown of the reserve in line with the Poole Power Station site acquisition strategy report as approved by Cabinet in June 2019.
- k) £146k Community Safety Grant
Funding supporting specific community projects
- l) £109k Special Educational Needs Reform Grant
Utilisation of the grant in line with the grant conditions.
- m) (£238k) European Union Exit Funding for Local Government
2019/20 grant payment received to support Local Authorities prepare for the United Kingdom leaving the European Union. Ongoing consideration being given to its application.

Repairs and Maintenance Reserves

- n) £290k Corporate Maintenance Fund
Planned backlog repair expenditure associated with the BCP non HRA Civic property estate as managed by the Housing Service.
- o) £224k BH Live Reserve
Resources set aside to meet the uneven profile of prudential borrowing payments on various capital schemes undertaken by the Council on assets leased to BH Live.

Development & Improvement Reserves

- p) £364k Social Care Change & Development Reserve
Drawdown of reserve to support change, the harmonisation of policies and processes, and the support of the reablement service.

Corporate Priorities & Service Improvement Reserves

- q) £386k Capital Feasibility & small works budget
Application of the reserve to support the BIC Investment Strategy as approved by Cabinet in June 2019 and a number of smaller proposals

approved by the Corporate Management Board in line with the Councils Financial Regulations.

- r) £250k Figbury Lodge Transition costs
The new Council built Care Home opens in September. Use of reserve to cover the first year's transitional costs as per the business case.

Reserve use where each individual application is less than £100k

- s) £50k Financial Resilience Reserves
t) £145k Reserves held in Partnership with External Organisations
u) £617k Government Grants
v) £81k Maintenance Reserves
w) £27k ICT Development & Improvement Reserves
x) £283k Corporate Priorities & Service Improvement Reserves

£14,749k Total current projected use of earmarked reserves in 2019/10

36. In addition to the £14.7m current projected use of Earmarked Reserves in 2019/20 for the purposes for which they have been set aside, it is also proposed as part of the Pay and Reward Strategy report presented elsewhere on this agenda to apply the £2.1m set aside specifically to support that work programme.
37. Note should also be made that normal operating arrangements would see the Government issue grants during the remaining nine months of the 2019/20 financial year which due to the specific conditions attached or the time required to agree plans etc. will mean they are unspent at year end.

Dedicated Schools Grant (DSG)

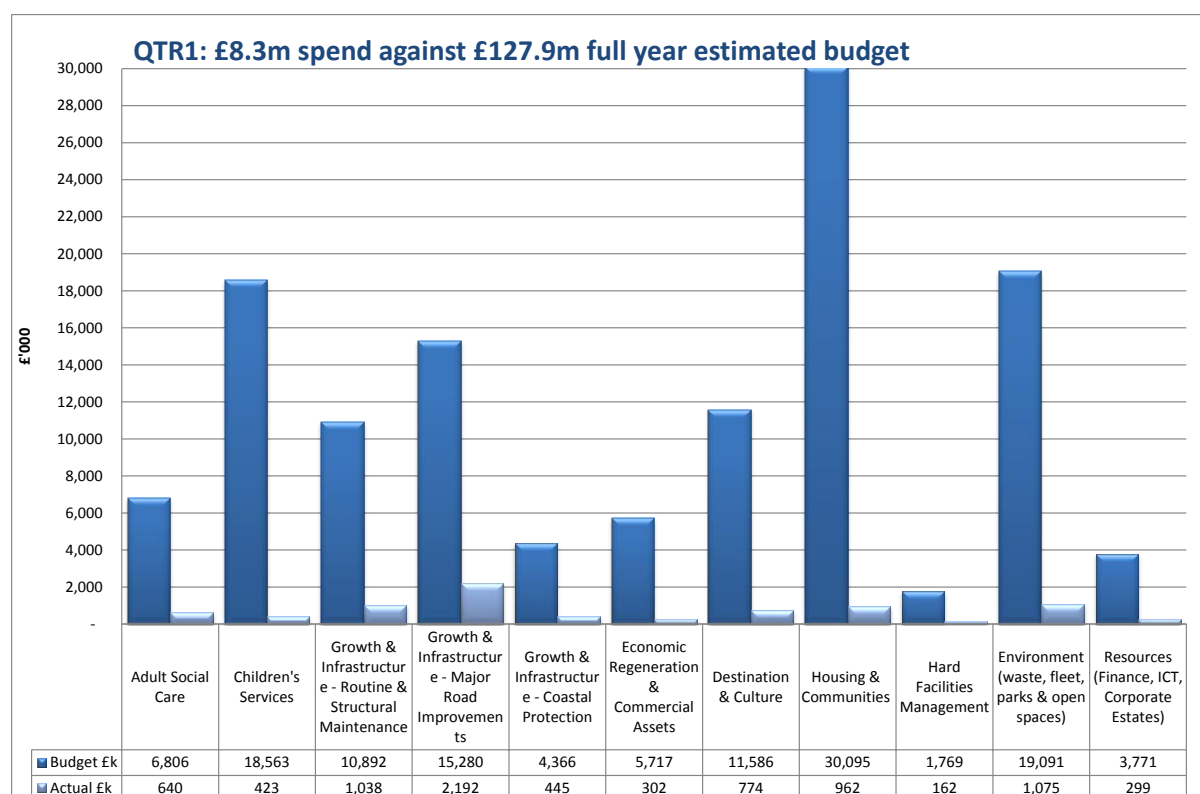
38. The report at **Appendix C** provides further information for the DSG and explains the latest position for the high needs block which is a forecast deficit of £2 million. This is in addition to the net £3.6 million deficit brought forward from legacy Councils.
39. Other budgets within this ring-fenced grant are expected to be balanced.
40. A deficit recovery plan has been submitted to the Department for Education (DfE) which is in the process of being reviewed with the outcome expected in September. The plan includes that to balance the in-year position, significant additional DSG funding is required from Government as well as DSG funding for Schools and Early Years Providers.
41. The shortfall in DSG funding for High Needs has been well documented nationally, including by LGA studies and LA Section 151 Officers have made separate representations to the DfE.

Capital Budget Monitoring

42. The Council's budgeted Capital Investment Programme (CIP) covers General Fund capital expenditure only. Housing Revenue Account (HRA) related capital spend is reported separately in this report.

43. In February 2019 BCP Shadow Council approved a CIP budget of £87.5m. The CIP budget was compiled by aggregating the 2019/20 capital programmes of each predecessor Council. In addition, the CIP budget included Dorset County Council estimates of expenditure remaining on capital projects transferring to BCP. The CIP has been updated since February to include new approved BCP capital projects, budget virements and unspent capital resource from 2018/19 to 2019/20. As a result, BCP's approved CIP for 2019/20 has increased from £87.5m to £127.9m.
44. Planned investment is diverse, including new school buildings, new care homes, seafront development, major road network improvements, and ICT infrastructure. Investment also spans all three Council areas. Clearly the CIP will continue to evolve throughout the year. Business Cases for new capital projects are being developed for Transformation & Capital Board approval, and changes to existing schemes are also anticipated.
45. Figure 3 illustrates planned capital spend for the year across BCP services, with year to date (YTD) spend comparison. As at 30 June (QTR 1), £8.3m of capital spend has been incurred. Note that this spend does not include internal staff 'timesheet salary' costs for capital projects inherited from Bournemouth Council, which will be included in QTR 2 CIP reporting. The £8.3m capital expenditure represents 6.5% of the current full year estimate of £127.9m. This is broadly comparable with QTR1 capital spend profiles in prior years of each predecessor council.

Figure 3: QTR1 spend Capital Investment Programme



Highlights on priority schemes included within the CIP

46. Adults Social Services

- Figbury Lodge, BCP's new purpose built 80 bed care home, was handed over to the appointed care operator on 9th July 2019, and is currently in the process of being fitted out. A phased approach is in place to fill the home, with the first residents due to arrive in September.
- Care Home acquisition in the Bournemouth area with care to be delivered by Tricuro, the Local Authority Trading Company set up in partnership with Dorset Local Authority.
- Mosaic (Care Management System) - this project was initially established for the implementation of the Mosaic Care Management System (Mosaic) for Adults and Children in Bournemouth. This phase of the project is expected to complete within budget and by the end of the financial year. Further work is underway to consider which system BCP should adopt for the future but the scope and costs of this next phase are not yet known.

47. Children's Services

- The Hillbourne School project will deliver a new 2 form entry (60 pupils per year group) primary school building on the Hillbourne site in Poole, along with over 100 new homes. Design development is now under way.
- Special Educational Needs and Disabilities (SEND) - schemes to create additional capacity within mainstream schools to help manage the rise in pupils identified with SEND. BCP is liaising with Dorset Local Authority on the level of Government capital grant already allocated by the Department for Education for the 3 years 2018/19 to 2020/21 with a proportion due for the Christchurch area. The CIP will be adjusted for the additional funding, once agreed.

48. Growth & Infrastructure - Highways Routine & Structural Maintenance

- £10.9m investment in highways infrastructure (including strategic network improvements, travel safety measures, greener travel choice, roads and bridges maintenance, street lighting and car parks) is planned in 2019/20. Across BCP, routine highways capital maintenance is undertaken through a mixed delivery model of in-house teams (e.g. Street Scene) and external contractors.
- The Highways element of the CIP is largely Government Grant funded (predominantly Local Transport Plan (LTP) and Pothole Grants). Capital spend is based on Government funding allocations for 2019/20. It includes 5.6% of the former Dorset County Council's 2019/20 LTP grant allocation for Christchurch.
- In addition to this, work is ongoing with Dorset Authority to ensure unspent highways capital grant 2018/19 for the Christchurch area is appropriately transferred to BCP as part of the final disaggregation settlement. The CIP will be increased to reflect this additional funding once agreed.

- Looking ahead, Members are asked to note that the Department for Transport has not yet calculated funding allocations for 2020/21, which could better reflect the highways maintenance needs of the new Council.

49. Growth & Infrastructure - Major Road Network Improvements

- In partnership with the Dorset Local Enterprise Partnership (DLEP), BCP expects to invest a further £15m in major highways improvement schemes. This includes a current 19/20 estimate of £8m to complete works on the Blackwater Junction and the Cooper Dean stretch of the A338. These projects were inherited from Dorset County Council on 1 April 2019, along with £5.6m residual unspent DLEP funding. Based on estimates provided by the former Dorset County Council, the CIP original budget assumed £5m spend in 2019/20 for scheme completion. Final estimates are higher, and the CIP has been increased by £3m accordingly. BCP has also inherited responsibility for local financial contribution towards these projects, which could be up to £2.5m. The CIP assumes this obligation will be met through CIL and s106 contributions, including **future** s106 contributions from the Aviation Park.
- A further £4m DLEP funded investment in the Townside Access to the Port of Poole programme is planned this financial year, with a further £1m to complete the project in 2020/21.
- BCP has also submitted initial business case to the Transforming Cities Fund. If successful this could attract in excess of £100m new grant funding to BCP.

50. Growth & Infrastructure – Coastal Protection

- This includes £2.9m planned investment in Phase 1 of Bournemouth's Beach Management Programme (BBMP), which is due to complete by March 2020. A report seeking approval for phases 2 and 3 of the programme (total value £36m) is planned for October Cabinet. The report will request up to £3.3m local contribution from BCP capital reserves over a 7- year period (2020/21 to 2026/27), towards programme delivery.
- Officers will also continue to prepare new business cases to secure Environment Agency grant funding earmarked to the Council for new coastal protection and flood defence projects.

51. Economic Regeneration

- Significant capital projects include £2m Heart of Poole (to procure a delivery partner), £0.2m for Christchurch Town Centre, and £2m for Lansdowne (public realm and digitalisation) in Bournemouth.
- In addition, an 'expression of interest' was made in July to Historic England for new grant funding to progress with Poole High Street improvement works.
- The new £170k Bournemouth International Centre options feasibility study approved by Cabinet in July 2019, will be reflected in the CIP for QTR2.

52. Commercial Asset Investment

- As approved in February 2019, this includes an investment of £1m in Mallard Road

53. Destination & Culture

- At £7.4m the single largest destination & culture capital project currently approved in the CIP is at Canford Cliffs. This includes cliff stabilisation works, replacement of existing beach huts with new, and a refurbished café. The Council has now entered the OJEU procurement phase of the project. Full tender documentation is being prepared with a view to potential contract award in November 2019.
- In addition, Coastal Communities Fund (CCF) funded public realm enhancement works are progressing across Poole's seafront.
- In the Bournemouth area, completion of Waterfront site - Adventure Golf and Green Living Wall trail is planned for this year.
- £1m of investment is also planned in the Christchurch area, to complete Highcliffe Castle improvement works and Regent Centre repairs.

54. Housing & Communities

- £24m planned investment on housing – including £10m for new housing at St Stephen's site, which is progressing well and now on site. In addition, £13.8m spend is planned on the Council's Temporary Accommodation portfolio. This is part of the Council's £44m Homeless Acquisition Programme.
- Around £2m spend is budgeted for disabled facilities adaptations across BCP. This is based on estimates of Disabled Facilities Grant (DFG) funding expected for 2019/20 from the Better Care Fund.
- Turlin Moor – capital capacity spend to potentially unlock land for new housing development.
- Community Housing Fund – BCP has received Government funding in each legacy authority to develop Community Land Trusts for affordable housing.

55. Environment

- The CIP currently assumes £4.9m grant funded spend on waste management in the Bournemouth area. This was the position inherited from predecessor Bournemouth Council's capital budget. A new BCP Council-wide Waste Management Strategy is being developed, to be considered by Members later in the financial year.
- Fleet Replacement Strategy – the CIP currently includes £6.1m approved spend on fleet management. This consists of discrete budgets inherited from predecessor Councils. As with waste management, a BCP wide fleet replacement strategy is being developed for Member approval later in the year.

- A further £7.4m capital budget has been approved for Parks and Open Spaces. Higher value projects include Poole Park and Christchurch play areas. Much of spend planned is funded from s106 contributions and Community Infrastructure Levy (CIL) receipts.

56. Resources

- £3.7m investment in the ICT Investment Plan is budgeted for 2019/20 – to ensure the Council continues to be able to deliver frontline services effectively.

Housing Revenue Account (HRA)

57. The Housing Revenue Account (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.
58. Within the Council's HRA it operates two separate neighbourhood accounts. The Bournemouth account comprises of 5,100 tenanted properties and is directly managed in-house by the Council. The Poole account comprises of approximately 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.

Bournemouth Neighbourhood Account

59. Figure 4 below presents the Bournemouth neighbourhood HRA for the period 1 April 2018 to 30 June 2019. The forecast year-end position to 31 March 2020 is a balanced position with no variances currently forecast.

Figure 4: Bournemouth Neighbourhood Housing Revenue Account

	June Actuals £000s	Approved Budget £000s	Forecast Outturn £000s	Variance £000s
Income				
Dwelling Rents	(6,420)	(22,407)	(22,407)	0
Non-Dwelling Rents	(48)	(114)	(114)	0
Charges for Services and Facilities	(28)	(1,199)	(1,199)	0
Contributions towards expenditure	(18)	(535)	(535)	0
Total Income	(6,514)	(24,255)	(24,255)	0
Expenditure				
Repairs and Maintenance	1,653	5,186	5,186	0
Supervision and Management	1,299	7,503	7,503	0
Rent, rates, taxes and other charges	63	156	156	0
Bad or Doubtful debts	0	188	188	0
Capital financing costs <i>(debt management costs)</i>	0	78	78	0
Depreciation Dwellings	0	7,296	7,296	0

Depreciation Non-Dwellings	0	22	22	0
Capital Charges <i>(net)</i>	160	2,889	2,889	0
Contribution new builds	0	900	900	0
Total Expenditure	3,175	24,218	24,218	0
(Surplus) / Deficit	(3,339)	(37)	(37)	0

60. Figure 5 below presents the monitoring position in respect of the capital programme for the Bournemouth neighbourhood account. The New Build & Acquisition Programme approved budget is £13.3m. Not all of this may be spent this year as a result of inherent changes within the development programme (e.g. timing of new build completions). If required, a revised profile of budget will be reported in QTR 2.

Figure 5: Bournemouth Neighbourhood HRA – Capital Programme

	June Actuals £000s	Approved Budget £000s	Forecast Outturn £000s	Variance £000s
New Build & Acquisition Programme	236	13,345	13,345	0
Windows	94	1,200	1,200	0
Bathroom Refurbishments	229	950	950	0
Kitchen Refurbishments	216	850	850	0
Disabled Adaptions	182	760	760	0
External Works	74	750	750	0
Fire Precautions / Detectors	0	600	600	0
Boiler Replacements	5	500	500	0
Re-roofing	106	300	300	0
Doors	7	300	300	0
Bedroom Extensions	1	200	200	0
Hot Water Systems	0	120	120	0
Insulation / Energy Efficiency	1	100	100	0
Rewiring	2	100	100	0
Common Areas	0	100	100	0
Various programmes under £100k	107	539	539	0
Contingency	0	350	350	0
Staff time allocated to capital projects	0	331	331	0
Total	1,260	21,395	21,395	0

Poole Neighbourhood Account

61. Figure 6 below presents the Poole neighbourhood HRA for the period 1 April 2018 to 30 June 2019. The forecast year-end position to 31 March 2020 is a shortfall of £113k on the planned Revenue Contribution to Capital Outlay (RCCO). The key reason for the variance is reduced income by £100k largely from dwelling rents £73k and services charges £22k due to delay in the delivery and occupation of the Canford Heath road scheme.

Figure 6: Poole Neighbourhood Housing Revenue Account

	June Actuals £000s	Approved Budget £000s	Forecast Outturn £000s	Variance £000s
Income				
Dwelling Rents	(5,230)	(19,855)	(19,782)	73
Non-Dwelling Rents	(8)	(37)	(31)	6
Charges for Services and Facilities	(258)	(1,316)	(1,294)	22
Contributions towards expenditure	0	(52)	(52)	0
Other Income	4	(235)	(235)	0
Canford Shared Ownership Receipts	0	(716)	(716)	0
Total Income	(5,493)	(22,211)	(22,111)	100
Expenditure				
Repairs and Maintenance	1,628	5,237	5,237	0
Supervision and Management	952	4,316	4,330	14
Rent, rates, taxes and other charges	5	158	157	(1)
Bad or Doubtful debts	0	197	197	0
Capital financing costs (<i>debt management costs</i>)	0	103	103	0
Depreciation Dwellings	0	4,882	4,882	0
Capital Charges (<i>net</i>)	(91)	3,020	3,020	0
Contribution to the new build programme	0	4,298	4,185	(113)
Total Expenditure	2,494	22,211	22,111	(100)
(Surplus) / Deficit	(2,999)	0	0	0

62. In addition, Figure 7 below presents the monitoring position in respect of the capital programme for the Poole neighbourhood account.
63. The February 2019 report to Council agreed a £14.5 million capital programme, including estimated carry forwards from 2018/19 into 2019/20. The final carried forward budget at outturn increased the 2019/20 programme to £17.2m. This increase of £2.7m is largely due to slippage on the Canford Heath project.
64. The forecast variance against the revised programme at this stage is reduced spend of £288k as a result of difficulty in sourcing replacement fire doors within the fire remedial works programme. This budget will be carried forward into the 2020/21 programme.
65. Actual spend in the first quarter represents 9% of the annual forecast.

Figure 7: Poole Neighbourhood HRA – Capital Programme

	June Actuals £000s	Revised Budget £000s	Forecast Outturn £000s	Variance £000s
Basic Planned Maintenance				
External Doors	13	150	150	0
Boiler Replacement Programme	25	612	612	0
Windows	0	500	500	0
Building External – All schemes	1	490	490	0
Fire Risk Remedial works	33	988	700	(288)
Electrical Works	40	400	400	0
Kitchen Replacement Programme	80	365	365	0
Building Envelope (Seddons)	107	306	306	0
Roofing	111	379	379	0
Bathrooms	23	218	218	0
Various programmes under £100k	110	725	725	0
Capitalised PHP Salaries	174	522	522	0
Other Planned Maintenance				
Information Technology Capital Costs	68	535	535	0
Disabled Adaptions	48	350	350	0
Sustainability	-2	100	100	0
Small Planned Maintenance projects	0	86	86	0
Major Projects				
Canford Heath Road	679	3,576	3,576	0
Herbert Avenue	0	2,509	2,509	0
Tower Blocks (Old Town)	3	1,200	1,200	0
New Build in-fill	2	1,000	1,000	0
Sprinklers	0	600	600	0
Small Sites Programme	197	500	500	0
Cladding	(185)	500	500	0
Cynthia House	49	300	300	0
Hillbourne School Site	10	255	255	0
Total	1,586	17,166	16,878	(288)

Companies and Partners Organisations

66. The financial sustainability of the Council could also be affected by the performance of partners and subsidiary in which it has a financial interest. Such entities can be listed as;

- Poole Housing Partnership
- Bournemouth Building & Maintenance Ltd
- Bournemouth Council Group Ltd
- Seascope South Limited
- Seascope Homes and Properties Limited

- Five Parks Charity
- Lower Central Gardens Trust
- Russell-Coates Art Gallery & Museum Charitable Trust
- The Bournemouth Development Company LLP
- Tricuro
- Aspire Adoptions

67. Each of these entities has their own governance framework and their own arrangements for reporting their financial and operating performance. The intention is to regularly provide summaries of the performance of each of these entities based on information that has been disclosed publicly by these associated organisations.

Performance Monitoring

68. A summary of performance for each Directorate will be presented for the end of quarter two.
69. Work is in progress to establish consistent data collections from legacy systems and develop a performance framework linked to corporate priorities.

Reporting Assumptions

70. Budget monitoring reports as set out are produced by BCP Financial Services, with monitoring information for the Poole HRA Neighbourhood Account being produced by Poole Housing Partnership.
71. Actual expenditure and income is that posted to the Council's financial ledger as at 30 June 2019 and covers the period from 1 April 2019.
72. The profile of expenditure and income is based on service estimates as known, with all significant variances investigated. Only those items of a significant or exceptional nature are reported, along with those requiring member decisions for other reasons.
73. Performance monitoring is produced by the BCP Insight, Policy and Performance Team.

Proposed Actions

74. It is important that the council takes action to correct emerging risks to its budget strategy and financial sustainability. The actions below are therefore recommended.
75. Requests that the Corporate Director for Adult Social Care sets out in the 2019/20 Budget Monitoring report for the second quarter on the steps being taken to ensure the integrity of the data within the Mosaic Case Management System. This report to include the progress made in developing the functionality of the Mosaic System and related finance systems in order that payments and billing are automated and robust financial forecasts can be generated.

76. Request that the Corporate Directors for Children's, Regeneration and Economy, and Environment and Community report separately, as part of the second quarters budget monitoring report, on the significant budget variances at that time and the extent to which their Directorate budgets can be brought to a balanced position for 2019/20 with detail of the actions being undertaken.
77. It is recommended that Cabinet and the Corporate Management Board formally consider the extent to which the £2.7m base budget contingency and budget resilience earmarked reserves of £6.3 million should be used to support the in-year projected budget deficit while longer term savings are developed.

Consultation

78. The BCP Corporate Management Board has reviewed the information provided in this report and the relevant Corporate Directors, Directors of Services and budget holders have provided information as necessary.

Alternative Options

79. This report provides financial performance information, and as a result there are no alternative options to consider.

Summary of finance and resourcing implications

80. The effective management of the Council's Budget is fundamental to the good governance of the organisation. Failure to monitor and manage the finances of the organisation will affect the financial health and wellbeing of the Council. The Council will not be able to develop a sustainable Medium Term Financial Plan and will not be able to effectively invest in its service priorities if it fails to recognise and address any identified financial pressures.

Summary of legal implications

81. It is a legal requirement of the Council to monitor its budget during the financial year, take remedial action if necessary and to produce a statutory set of accounts within the prescribed deadlines.

Summary of human resources implications

82. None specifically related to this report.

Summary of environmental impact

83. None specifically related to this report.

Summary of equalities and diversity impact

84. Any variations to budgets require the responsible officers to be mindful of the equality implications within the Council. Individual budget holders will consider and address any such implications in line with their service specific equality impact assessments.

Summary of risk assessment

85. This report and the outlined actions will form part of the mitigation strategy to ensure that the Council is identifying when prompt management intervention and action is needed to avoid an adverse impact on future service delivery or the achievement of future corporate objectives.

Background papers

86. The 2019/20 Budget and Consolidated Medium Term Financial Plan (MTFP) Update for Bournemouth, Christchurch and Poole Council which was approved by the BCP Shadow Authority on the 12 February 2019 can be found at;

<https://moderngov.bcpshadowauthority.com/ieListDocuments.aspx?CId=136&MId=123&Ver=4>

Appendices

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|----------------|--|
| 87. Appendix A | Forecast Annual Revenue Variances greater than £100k by Directorate |
| Appendix B | Forecast use of Reserves in 2019/20 |
| Appendix C | Report on the DSG from the Corporate Director of Children's Services |