

# CABINET



Report subject	<b>Quarter Two Budget Monitoring Report 2019/20</b>
Meeting date	13 November 2019
Status	Public
Executive summary	<p>This report presents the council's performance against budget for the period 1 April 2019 to 30 September 2019.</p> <p>In summary, the general fund revenue projected outturn for 2019/20 is a pressure within services net expenditure of £4.5m (compared with £5m previously reported based on the activity of the first quarter).</p> <p>These pressures can be met from the additional resources (£2.5m revenue budget contingency and £6.5m service-specific Financial Resilience earmarked reserves) set aside to manage the additional level of uncertainty in this first year of the new council.</p> <p>1.</p> <p>At this stage the potential use of some of these additional resources is shown within the forecast. The Corporate Directors have provided reports, at appendices C to F, detailing the service pressures and actions they propose in mitigation. These action plans are still in the early stages and a formal application of the additional resources is not considered appropriate until they have had a chance to mature.</p> <p>This approach could eventually release resources to support the 2020/21 Budget Strategy or Council priorities. However, it should be recognised that at this point the Council retains the operational risk in respect of two remaining quarters in the financial year.</p>
Recommendations	<p><b>It is RECOMMENDED that Cabinet:</b></p> <ul style="list-style-type: none"> <li><b>(a) approves the actions set out in paragraphs 89 and 90;</b></li> <li><b>(b) approves the capital adjustments set out in paragraphs 69 and 70;</b></li> <li><b>(c) notes the reports contents and the projected outturn position;</b></li> <li><b>(d) notes the reports from the Corporate Directors;</b></li> </ul>

	<p><b>and</b></p> <p><b>(e) notes the forecast year end outturn positions for capital, reserves and Housing Revenue Account neighbourhood accounts.</b></p> <p><b>It is RECOMMENDED that Cabinet recommend that Council approves the capital budget adjustment set out in paragraph 72.</b></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 Corporate and Service Directors have confirmed their acknowledgement of the issues raised.</p>
Portfolio Holder(s):	Cllr David Brown – Portfolio Holder for Finance
Corporate Director	Adam Richens – Chief Finance Officer and Director of Finance
Contributors	<p>Dan Povey, Acting Assistant Chief Finance Officer</p> <p>Nicola Webb, Assistant Chief Finance Officer</p> <p>Matthew Filmer, Finance Manager</p>
Wards	All Wards
Classification	Recommendation and Decision

## Background

1. The Council is scheduled to receive quarterly financial monitoring reports. This is alongside separate reports detailing the operational performance over the same period. This is supplemented by the monthly presentation of key financial performance information to the Council's Corporate Management Board (CMB).
2. 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.
3. Based on activity in the first quarter, a £5 million pressure was previously estimated. This has now reduced to £4.5 million over the second quarter. This projection is before consideration is given to the use of the contingency or earmarked financial resilience reserves.
4. **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 September 2019**

	September Actuals £000s	Approved Resources £000s	Projected Outturn £000s	Projected Variance £000s
<b>Service Budgets</b>				
Adult Social Care & Public Health	53,963	108,191	108,191	0
Children's Services	34,522	60,969	63,919	2,950
Regeneration & Economy	(83)	8,192	8,664	472
Environmental & Community	12,516	47,013	47,683	670
Resources	19,900	29,594	29,992	398
<b>Total Service Position</b>	<b>120,818</b>	<b>253,959</b>	<b>258,449</b>	<b>4,490</b>
<b>Corporate Budgets</b>				
Investment Property Income	(2,872)	(5,743)	(5,743)	0
Pensions ( <i>back funding</i> )	4,714	9,428	9,428	0
Repayment of debt (MRP)	0	9,501	9,501	0
Other Corporate Items	0	(189)	(189)	0
Interest on borrowings	1,557	3,114	3,114	0
Investment Income	(140)	(185)	(280)	(95)
Revenue Contribution to Capital (RCCO)	0	1,726	1,726	0
<b>Total Corporate Budgets</b>	<b>3,259</b>	<b>17,652</b>	<b>17,557</b>	<b>(95)</b>
<b>Total Budget excluding Contingency</b>	<b>124,077</b>	<b>271,611</b>	<b>276,006</b>	<b>4,395</b>
<b>Potential use of Contingency</b>	<b>0</b>	<b>2,536</b>	<b>0</b>	<b>(2,536)</b>
<b>Potential use of Resilience Reserves</b>	<b>0</b>	<b>0</b>	<b>(1,859)</b>	<b>(1,859)</b>
<b>Net Budget</b>	<b>124,077</b>	<b>274,147</b>	<b>274,147</b>	<b>0</b>
Resilience Reserves not currently being used				(4,641)

5. In the first quarter activity included aligning the approved budget to the emerging corporate structure with further activity to consolidate service delivery taking place over the second quarter. The variances shown in the table above reflect the Directorate responsibilities at the end of September.
6. The first quarter budget monitoring report acknowledged the delay in staff restructuring with savings not expected to be realised according to the budget profile. Other identified pressures could have a longer-term impact as they represent a rising trend in demand, increases in the cost of services or reduced projected income. The extent to which management action can mitigate these pressures in the current year is considered within each Corporate Director's reports set out in the appendices. The longer-term impact was considered as part of the Medium Term Financial Plan (MTFP) update report presented to Cabinet in October.
7. Work continues to address the potential deficit including completion of new staffing structures, review of budgets by service managers and the systematic review of high value budgets areas by senior officers and Cabinet.
8. 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 greater than £100,000 along with any significant issues of which Members should be aware. The presentational convention is that favourable variances are shown in brackets.

#### **Adult Social Care Directorate: *Balanced Projected Outturn***

9. Adult Social Care is projecting a balanced position for the financial year. Within this balanced position there are forecast cost pressures and savings which net to zero.
10. A £381k saving for employees' costs is forecast, mainly due to the difficulty in recruiting social work staff. The Service continues to undertake recruitment activity and agency staff are also used to fill some vacancies.
11. Projected savings of £1.1m are identified for care packages due to the higher than required budget assumptions for Christchurch care demand. Other demand pressures are evident in the Bournemouth and Poole area which are being managed with the planned use of Adult Social Care earmarked reserves. Market driven pressures and complexity of need are also evident in Bournemouth where the cost of residential care has increased by 6% in the last quarter and 10% since last year. Demographic and market demands will be rebased through the MTFP process.
12. Work is ongoing to understand the extent of the projected £1.4m deficit in Service User contributions in the Bournemouth and Christchurch areas. Complex transitional arrangements and issues with the implementation of the Mosaic system have inevitably disrupted the normal processes. The projection reflects the activity in the ledger up to the end of August 2019. The projection may improve over the next quarter as systems, data quality and processes continue to improve.
13. **Appendix C** sets out the report requested from the Corporate Director for Adult Social Care in the Quarter One Budget Monitoring report detailing how the Mosaic Case Management System is being developed to ensure the integrity of data, provide for efficiency in payments and billing processes and enable robust financial forecasts to be generated.

#### **Children's Services Directorate: *£2.95m Projected Deficit***

14. The projected deficit of £2.95m generally reflects forecast growth in demand for services and delay in the implementation of new staffing structures. The net position is unchanged from the Quarter 1 forecast.
15. The cost pressure for Children in Care (CiC) in the Christchurch area has increased due to a small growth in the number of residential placements and other placement costs escalating. The remaining CiC forecast for the Bournemouth and Poole localities has reduced due to focused project work and a net decrease in residential placements. Overall the cost pressure for CiC is unchanged from Quarter 1.

16. The projected deficit for Special Education Needs (SEN) Transport has increased. This is largely due to the inherited Christchurch travel costs and legacy positions from preceding authorities. Following the start of the academic year, projections from colleagues in Transport are showing a pressure in Home to School Transport as well as SEN Transport. Work has started to understand the extent of these projected deficits.
17. Due to a clear budget management remit a combination of underspends have been amalgamated to offset the whole system pressure. This includes all vacancy requests being authorised at Children's Directorate Management Board. However, recruitment of social work posts within social care to fill vacancies is currently underway so this may have an impact on the bottom line for the remainder of the financial year.
18. Delays in delivering reduced staff costs in Business Support, have been put in place 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.
19. 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. The restructure will now be implemented in January 2020 reducing the pressure to £184k from the Quarter 1 position.
20. Pressures are also being projected in the Children's front door Social Work Teams of £345k and £206k is being spent on interim management to provide additional support across the Directorate to make faster progress with service transformation.
21. **Appendix D** presents the report requested from the Corporate Director for Children's in the Quarter One Budget Monitoring report setting out the detail of the significant budget variances within the Directorate and the detail of the actions being taken to bring the budget for the directorate back into balance.

#### **Regeneration and Economy Directorate: £472k Projected Deficit**

22. The Directorate is forecasting a £472k pressure, which is reduced from the Quarter 1 projected pressure of £1,233k.
23. Further to the base budget review meeting for Planning Services it was agreed to bring consistency in the allocation and use of CIL administrative receipts and the funding of Local Development Plans. This has resulted in a combined revenue benefit for 2019/20 of £300k.
24. The estimated pressure for concessionary fares remains, revised to £346k, due to a projected increase in the price paid within the Christchurch conurbation to ensure consistency across the authority. The forecast pressure relating to street lighting remains unchanged, where despite extra resources being set aside in the BCP base budget, price inflation in street lighting indicates a projected pressure

of £215k. These overall pressures within Growth & Infrastructure are slightly reduced by the net impact of a £100k saving from the renegotiation of the bus subsidy contract and extra traffic management costs.

25. The forecast pressure for cultural attractions within Destination and Culture has reduced from £299k at Quarter 1 to £164k at Quarter 2 because previously reported pressures relating to museums and libraries have been removed. The services have further reviewed in detail the new consolidated BCP budgets and made alterations to manage these elements within the wider budget envelope.
26. The pressure relating to the seafront has reduced to only £1k at Quarter 2, partly due to a change in the commencement date of the Poole seafront development pushing the pressure into the future (£55k). Improved seafront trading has enabled a further reduction of the pressure by £65k.
27. The forecast pressure for Christchurch Leisure Centre (Two Riversmeet) staffing budget of £130k remains unchanged from Quarter 1.
28. Development services have experienced unexpected redundancy costs due to staff changes at the start of the year contributing a pressure of £120k.
29. **Appendix E** presents the report requested from the Corporate Director for Regeneration and Economy in the Quarter One Budget Monitoring report setting out the detail of the significant budget variances within the Directorate and the detail of the actions being taken to bring the budget for the directorate back into balance.

#### **Environment and Community Directorate: £670k Projected Deficit**

30. There is a projected net budget deficit of £670k with the pressure purely associated with the Environment Service Area. This is a reduction of £140k from the previous forecast position.
31. 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 £567k shortfall, which is a reduction from the previous projection of £610k. This is due to a 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. The forecast is reduced based on the anticipated increase in income from harmonising cremation fees from November 2019 and running costs at Poole crematorium being below budget.
32. 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 in December. It is anticipated that this will propose using resources set aside in a Bereavement Services specific earmarked reserve to help remodel the service.

33. In addition, income from concessions and chargeable activity are below expectations by £193k in park services. This is an improvement from the previous forecast of £200k.
34. In addition, Waste & Cleansing are forecasting an underspend of £107k. This relates to the expected underspend for the Dorset Waste Partnership.
35. A small overspend on Highways Maintenance is now anticipated in relation to unbudgeted works in Christchurch.
36. Both the Housing and the Community Service Areas are currently indicating a balanced position.
37. **Appendix F** presents the report requested from the Corporate Director for Environment and Community in the Quarter One Budget Monitoring report setting out the detail of the significant budget variances within the Directorate and the detail of the actions being taken to bring the budget for the directorate back into balance.

### **Resources Deficit and Corporate Items: *Projected Deficit £398k***

38. The directorate is projecting a net deficit of £398k.
39. The main cost pressure is the funding of the Major Projects Team of £371k. The project team operates on a charging mechanism, recharging their full cost to projects they support. For Local Government Reorganisation (LGR) and the subsequent transformation of the Council to be a success, it will continue to require significant project support. However, LGR funding for the team was only approved up to the end of September 2019. Funding to support LGR is fully committed and therefore the team are now unfunded, pending a decision concerning the ongoing transformation programme for BCP Council and the associated funding arrangements.
40. In the interim and notwithstanding the potential for a funded programme of transformation, the Directorate is assuming that the impact will need to be managed within the established budget and is pursuing opportunities for offsetting the unfunded costs against underspends in other budgets.

### **Reserves**

41. 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.
42. Appendix B presents the projected use of the Council's £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.

43. Explanations for significant anticipated movements in earmarked reserves during 2019/20 which were not predicted at June and not mentioned elsewhere in this report are set out below. Figures in brackets are either increases to reserves or a reduced use compared to the previous quarter;

### **Reserves held in Partnership with External Organisations**

- a) (£299k)                      Stour Valley and Poole Partnership  
*Business case for ICT Investment project (Eforms) reprofiled into 2020/21.*

### **Government Grants**

- b) £889k                      Winter Pressures Grant  
*Further use of reserve to manage resident care costs as a result of last year's ongoing winter pressure costs.*
- c) £116k                      Adult Social Care Support Grant  
*Further drawdown of reserve in support of extra Care Housing costs.*
- d) £465k                      EU Brexit Grant  
*Application of grant money received from the Government to prepare for and deal with the consequences of Brexit. Detail as set out in the October MTFP Update Report to Cabinet.*

### **Repairs & Maintenance**

- e) £319k                      Bereavement and Crematorium Maintenance Reserves  
*Will be allocated to the works recommended in the Bereavement Service report due to be presented to Cabinet in December.*

### **Development & Improvement Reserve**

- f) £151k                      Adult Social Care Change & Development Reserve  
*Additional drawdown of reserve to support change, the harmonisation of policies and processes, and the support of the reablement service.*

### **Corporate Priorities & Service Improvement Reserves**

- g) (£170k)                      Elections Reserve  
*Base budget contribution to the election reserve to provide sufficient resources for the next local election in four years' time.*  
  
*Note should be made that costs directly associated with a General Election are covered by central Government.*
- h) £114k                      Capital Feasibility and Small Works Reserve  
*Application of the residual resources in the reserve to support a feasibility study around Bournemouth pier*



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

i) £271k	Mainly small Government Grant related reserves
<b>£1,856k</b>	<b>Additional projected use of Earmarked Reserve</b> (since June)

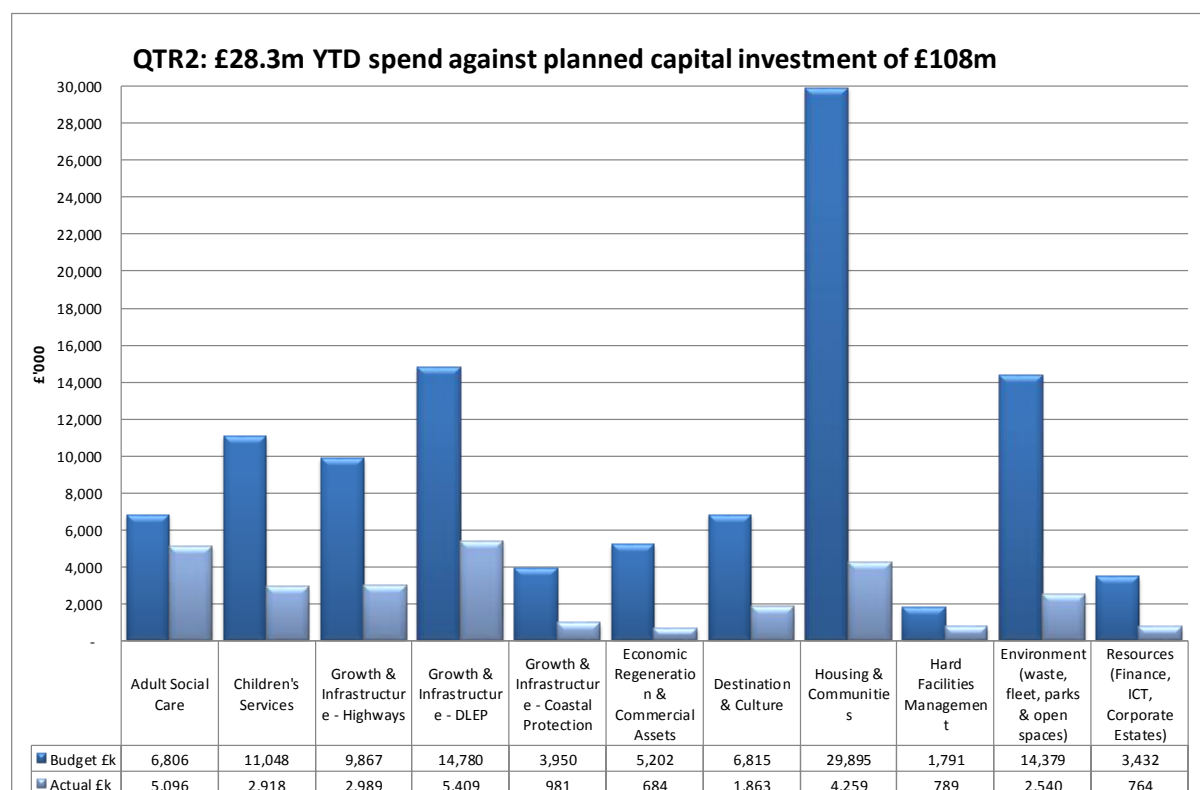
## **Dedicated Schools Grant (DSG)**

44. The latest position for 2019/20 is a forecast in-year deficit of £1 million. This is in addition to the estimated net £3.6 million deficit brought forward from legacy Councils.
45. The estimated outturn for high needs expenditure remains at £2 million deficit.
46. DSG adjustments have been made by the DfE in Quarter 2 to finalise funding dependent on the outcome of the January 2019 school census. This has provided £0.7m more than estimated in the closure of Bournemouth and Poole financial statements for 2018/19. The census results also finalised the BCP 2019/20 allocations for high needs to reflect the cross-border flow of high needs pupils. This adjustment provided £0.3m more than budgeted.
47. Despite announcements in September of an additional £700m nationally for 2020/21 (BCP share £3.4m) this will not be enough to close the annual funding gap next year or provide resources to reduce the historic deficit. Deficit recovery will be through retention of other DSG funding as currently planned.

## **Capital Budget Monitoring**

48. 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.
49. In February 2019 BCP Shadow Council approved a CIP budget of £87.5m. The CIP has been updated since to include new approved BCP capital projects, budget virements and unspent capital resource from 2018/19 to 2019/20. It has also been refreshed to reflect revised project delivery timelines for larger capital projects. As a result BCP's approved CIP for 2019/20 has increased from £87.5m to £108m.
50. Figure 3 illustrates planned capital spend for the year across BCP services, with year to date (YTD) spend comparison. As at 30 September (QTR 2), £28.3m of capital spend has been incurred.

**Figure 3: QTR2 spend Capital Investment Programme**



## Progress on priority capital projects

### 51. Adults Social Services

- Figbury Lodge, BCP's new purpose built 80 bed care home, was handed over to BCP's appointed care operator in July and is in the process of welcoming its first residents.
- New Care Home – BCP completed the acquisition of a new Care Home at the end of September. The Care Home has now been formally leased to Tricuro.
- Mosaic (Case Management System) - this project was initially established for the implementation of the Mosaic Case 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 determine which case management system (Care Director or Mosaic) should be adopted by the Council going forwards. It is likely that (regardless of which system is selected), additional capital investment will be required.

### 52. Children's Services

- The Hillbourne School project will deliver a new 2 form entry primary school building on the Hillbourne site in Poole, along with over 100 new homes. Design development is now under way.

- The Council continues to work closely with the United Learning Trust, with a view to completing works at Carter Community School by September 2020.

#### **53. Growth & Infrastructure – highways routine and structural maintenance**

- The Council continues to invest significantly in its highways infrastructure (including strategic network improvements, travel safety measures, greener travel choice, roads and bridges maintenance, street lighting and car parks).
- The Council has also submitted a formal expression of interest to DLEP to secure further DLEP funding for additional road improvement work across the conurbation.
- As part of 'disaggregation', work is ongoing to agree BCP share of unspent capital reserves and grants accrued by the former Dorset County Council in relation to Christchurch.

#### **54. Growth & Infrastructure – major road network improvements**

- In partnership with the Dorset Local Enterprise Partnership (DLEP), a further investment of £17.7m in major highways improvement schemes is planned this financial year. This includes (current estimate) of £2m to complete works on the Cooper Dean stretch of the A338 and £6.2m on Blackwater Junction. Cooper Dean works are largely complete. Once the final account is received, subject to DLEP approval, any underspends to budget could potentially be available for the Wessex Fields Phase 1 capital budget. Blackwater West works commenced in Summer 2019 and are now well underway. Works are due for completion in Spring 2020.
- The planned spend profile for the Council's DLEP funded Townside Access to the Port of Poole programme will be adjusted in October to reflect revised project delivery timeline.

#### **55. Growth & Infrastructure – coastal protection**

- In October the Council approved the next phase of the 'Poole Bay – Beach Management Scheme' – to provide ongoing coastal protection to the coastal frontages of Bournemouth, Christchurch and Poole. In doing so, the Council approved up to £3.3m local contribution from BCP 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 BCP for new coastal protection and flood defence projects.

#### **56. Economic Regeneration & Commercial Assets**

- The Council remains committed to the ongoing regeneration of its town centres. The CIP includes approved resource for significant capital projects including the Heart of Poole, Christchurch Town Centre, and Lansdowne (public realm and digitalisation) in Bournemouth.
- In September the Council was also informed the first phase of its bid for Historic England grant funding for Poole High Street improvement works was successful,

subject to Historic England approval of detailed design plan for the project. As the value of this project is more than £1m, specific Member approval will be required, if and when funding is secured.

- The Council continues to work closely with BH Live to develop a long-term strategy for the Bournemouth International Centre (BIC).
- The Council has approved a £0.7m programme of building alterations for vacant premises in Mallard Road Retail Park. This is to meet new tenants' requirements and will be funded from the Council's Rent, Risk & Repairs Reserve.

## **57. Destination & Culture**

- The Council is preparing OJEU compliant tender documentation for cliff stabilisation works and beach hut provision at Canford Cliffs. The Council plans to start work on site in April 2020, over a 12-month construction period. Preliminary adjustment to the profile of planned spend in the CIP has been made accordingly, subject to further revision once contract is awarded.
- Good progress has also been made with the delivery of other capital projects across the Poole area of BCP seafront, with live construction sites at Shore Road, Shore Road East (block 8) and Branksome Chine. Connectivity work also forms part of these projects. Each of these projects is expected to complete before April 2020.
- In the Bournemouth area, investment has been made in the Waterfront site – including Adventure Golf, Prom Café extension and Green Living Wall trail projects.
- Investment is also continuing in the Christchurch area, including Highcliffe Castle improvement works and Highcliffe Zig Zag repairs.
- The Council remains committed to developing its seafront, with budget allocated in September to fund new seafront development feasibility studies for potential new capital projects.
- In early October the Ministry of Housing, Communities and Local Government (MHCLG) Coastal Communities Fund confirmed the Council has been successful in its £2.4m bid to develop a new eco-friendly hub building and refurbish existing Waste Transfer Station and yard at Durley Chine. As the project value is in excess of £1m, Council approval is required in order to formally accept the grant funding and add the project to the CIP – see Capital Virements section, paragraph 65.

## **58. Housing & Communities**

- New 46-unit housing development at the St Stephen's site is progressing to schedule.
- The Council is also increasing its Temporary Accommodation Portfolio, through the acquisition of additional properties to meet local housing needs. This project is funded through Prudential Borrowing, with additional £1.9m

contribution from Bournemouth Neighbourhood Housing Revenue Account (BNHRA).

- Turlin Moor – budget (part grant funded) has been approved to potentially unlock land for new housing development in the Poole area.
- Oakdale Adult Learning Site – the Council is exploring options to reconfigure the Skills & Learning provision (currently provided on site). Options include the use of alternative premises within the conurbation from which to deliver the Skills & Learning Service. This has the potential to free up the Oakdale sites for new affordable housing, as well as ensuring continued provision of pan-Dorset Skills & Learning across Bournemouth, Christchurch and Poole.

#### **59. Hard Facilities Management**

- Approved 'Hard' Facilities Management investment to address BH Live and Civic Estate asset management and backlog maintenance works is ongoing. The Council has also approved a feasibility study to inform the long-term strategy for the Bournemouth International Centre (BIC).
- Condition survey work is being undertaken across the 'Civic Estate' inherited by BCP Council from preceding Councils. It is likely that this will result in additional funding requests for capital resource. A full report will be presented to Members in due course

#### **60. Environment**

- Fleet Replacement Strategy – procurement is underway to acquire vehicles in line with existing approved fleet management budget allocations. In addition, a new BCP wide fleet replacement strategy is being developed for Member approval in December / January. This Strategy will recognise the historic differences in funding approach for fleet replacement across preceding Councils and establish a new long term BCP wide Strategy going forwards.
- Approved improvement work at the Council's award-winning Poole Park continues to schedule, with further investment in Christchurch (including play areas and coastal Country Park Suitable Alternative Natural Greenspace (SANG)), and in Bournemouth parks and open spaces. Much of spend planned is funded from s106 contributions and CIL receipts

#### **61. Resources**

- The Council continues to invest in its ICT Infrastructure. To date around 23% of approved full year budget has been spent. Future ICT investment will be informed by the results of the KPMG review.

#### **Funding of the Capital Investment Programme**

62. Figure 4 summarises funding sources for the current £108m CIP 2019/20. This will change through the course of the year as the CIP is refreshed, and new schemes are added. The Council continues to rely on its own resources (capital reserves, borrowing (the costs of which are included within the Medium Term

Financial Plan) and capital receipts from disposal of its assets) to deliver the 2019/20 CIP.

**Figure 4:** Capital Investment Programme funding sources

BCP - Capital Investment Programme 2019/20		£000
		107,964
Government Grant		43,134
Third Party Receipts		625
CIL / s106		6,383
<b>External Funding Sources</b>	<b>46%</b>	<b>50,142</b>
Earmarked Reserves		3,112
Capital Receipts		2,888
Capital Fund (Revenue Funding for Capital)		9,887
Prudential Borrowing		38,625
Supported Borrowing		3,308
<b>BCP Funding Sources</b>	<b>54%</b>	<b>57,821</b>
<b>Total funding requirement</b>		<b>107,964</b>

63. £43.1m of planned CIP 2019/20 spend is funded from external grants (mostly Government Grants) and is supported by formal Government grant notifications and / or funding agreements.

64. The CIP assumes £6.4m of Community Infrastructure Levy (CIL) / s106 funding will be available this financial year to support the 2019/20 capital programme. Of this sum, higher value CIL / s106 allocations include:

- £2.3m for Blackwater junction improvements
- £0.5m on Suitable Alternative Natural Greenspaces in the Poole and Christchurch areas of the conurbation
- £0.6m on heathland mitigation in the Bournemouth area

Work is ongoing to provide assurance over the level of CIL / s106 the Council has received payment for (as opposed to 'invoiced but not yet received'). This will include balances inherited from former Dorset County Council with respect to the Christchurch area. CIL / s106 cash sums will be compared with CIP CIL / s106 planned utilisation, to ensure funds are not committed in advance of receipt.

Regarding the use of earmarked capital reserves, the Council has allocated all its £0.5m 'Capital Feasibility & Small Works Fund' reserve to projects within the CIP. In addition, the CIP assumes £0.7m of Mallard Road landlord related spend will be financed from the Rent, Risk and Repairs Reserve. A further £1.3m of earmarked reserve is currently allocated to support the 2019/20 delivery partner procurement phase of the Heart of Poole Masterplan inherited from former Poole Council. This planned utilisation will be refreshed in QTR3 of the programme.

## Capital Virements

65. A capital virement is a transfer of budget / resource between individually approved schemes or the re-phasing of approved scheme expenditure between years.

66. In accordance with the Council's Financial Regulations the following rules associated with capital virements apply (after advice from the Chief Finance Officer):

- Virements over £1m require prior Council approval.
- Virements over £0.5m and up to £1m require prior Cabinet approval.
- Corporate Directors can approve virements over £100k up to £500k.
- Service Directors can approve virements up to £100k.

These thresholds also apply to new capital schemes. In situations where Cabinet or Council approval is required explicit reference should be made to any conditions that will need to be evidence before any order/contract can be placed.

67. The Council's Financial Regulations also allow for the re-phasing of approved capital budgets between years of any value to be approved by the Service Director, in liaison with the Chief Financial Officer.

68. In accordance with these regulations the following capital budget virements and adjustments in the CIP require the approval of **Cabinet**.

69. Service Area:	<b>Destination &amp; Culture</b>
Purpose of Adjustment:	<b>Increase Approved Capital Budget – Poole Museum</b>
Value:	<b>£357k</b>

The CIP includes approved budget of £50k (from capital fund) for the 'Development Phase' of the Council's "Our Museum: Rediscovering Poole's Maritime Heritage" project. The project aims to transform the Poole Museum visitor experience through (amongst others) new digital interpretations, the creation of new public spaces and facilities, and the display of four ancient vessels. Cabinet is asked to approve a £357k increase in the Development Phase budget, to reflect funding of £352k awarded by the National Lottery Heritage Fund (National Lottery) in September, and private donations of £5k. The combined project funding of £407k will facilitate development of a full business case to support further external grant bid of £1.8m (current estimate) from the National Lottery in Spring 2021 for the 'Delivery Phase' of the scheme.

70. Service Area:	<b>Bournemouth Neighbourhood Housing Revenue Account</b>
Purpose of Adjustment:	<b>New Capital Project – Barrow Drive Housing</b>
Value:	<b>£195k (19/20), £390k (20/21) and £68k (21/22) (total £653k)</b>

Cabinet approval is sought to approve the development of 3 new affordable housing units, with parking provision, at Barrow Drive. The site is owned by the BNHRA and currently consists of 21 garages, all of which are void. Planning permission was granted in August 2019, and the site has been secured in anticipation of development. The development is estimated to cost £653k and will be funded from a combination of s106 contributions (£50k), BNHRA reserves (£80k), Right to Buy receipts (£196k) and Prudential Borrowing (£327k), to be repaid over 25 years. The s151 Officer has reviewed the financial modelling for Prudential Borrowing repayment (including 'stress testing' of underlying assumptions). Cabinet is asked to formally approve the scheme, including the use of Prudential Borrowing. Cabinet is also asked to formally delegate determination of final funding arrangements to the s151 Officer in consultation with the Portfolio Holders for Finance and Housing.

71. In accordance with these regulations the following capital budget virement in the CIP requires the approval of Council.

72. Service Area:	<b>Destination &amp; Culture</b>
Purpose of Adjustment:	<b>New Capital Project – Environmental Innovation Hub</b>
Value:	<b>£83k (2019/20) and £2,316k (2020/21) (total £2,399k)</b>

In early October BCP Council secured £2.4m grant funding from the Ministry of Housing, Communities and Local Government (MHCLG) Coastal Communities Fund, to deliver an Environmental Innovation Hub at Durley Chine. This is part of the Council's wider Seafront Strategy programme. The project will contribute towards BCP's ambitions to become a 'Green Economy Leader', by helping to achieve a step change in the reduction of single-use plastics and increase levels of recycling along the Council's coastline. The project will be funded entirely from Coastal Communities Fund grant, with no recourse to additional Council funds. Council is asked to formally approve the acceptance of £2.4m Coastal Communities Grant funding and amend the CIP for the new project. Spend is currently profiled £83k in 2019/20 and £2,316k in 2020/21.

### **Housing Revenue Account (HRA)**

73. 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.

74. 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

75. Figure 4 below presents the Bournemouth neighbourhood HRA for the period 1 April 2018 to 30 September 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

	Sept Actuals £000s	Approved Budget £000s	Forecast Outturn £000s	Variance £000s
<b>Income</b>				
Dwelling Rents	(11,909)	(22,407)	(22,407)	0
Non-Dwelling Rents	(153)	(114)	(114)	0
Charges for Services and Facilities	(51)	(1,199)	(1,199)	0
Contributions towards expenditure	(60)	(535)	(535)	0
<b>Total Income</b>	<b>(12,173)</b>	<b>(24,255)</b>	<b>(24,255)</b>	<b>0</b>
<b>Expenditure</b>				
Repairs and Maintenance	2,245	5,186	5,186	0
Supervision and Management	2,397	7,503	7,503	0
Rent, rates, taxes and other charges	211	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>	1,079	2,889	2,889	0
Contribution new builds	0	900	900	0
<b>Total Expenditure</b>	<b>5,932</b>	<b>24,218</b>	<b>24,218</b>	<b>0</b>
<b>(Surplus) / Deficit</b>	<b>(6,241)</b>	<b>(37)</b>	<b>(37)</b>	<b>0</b>

Figure 5 below presents the monitoring position in respect of the capital programme for the Bournemouth neighbourhood account. The New Build & Acquisition Programme original approved budget of £13.3m has been revised to £3m. This is because of significant delays to the New Build & Acquisition Programme including £4.3m Moorside Road (pending outcome of public enquiry in March 2020), £2.2m St George's Development (no longer progressing). A further £3.8m technical accounting adjustment has been made in relation to hostel related spend also included with the General Fund.

**Figure 5: Bournemouth Neighbourhood HRA – Capital Programme**

	<b>September Actuals £000s</b>	<b>Approved Budget £000s</b>	<b>Forecast Outturn £000s</b>	<b>Variance £000s</b>
New Build & Acquisition Programme	628	13,345	3,345	(10,000)
Windows	205	1,200	1,200	0
Bathroom Refurbishments	502	950	950	0
Kitchen Refurbishments	447	850	850	0
Disabled Adaptions	86	760	760	0
External Works	184	750	750	0
Fire Precautions / Detectors	149	600	600	0
Boiler Replacements	127	500	500	0
Re-roofing	111	300	300	0
Doors	20	300	300	0
Bedroom Extensions	2	200	200	0
Hot Water Systems	15	120	120	0
Insulation / Energy Efficiency	1	100	100	0
Rewiring	23	100	100	0
Common Areas	26	100	100	0
Various programmes under £100k	418	539	539	0
Contingency	0	350	350	0
Staff time allocated to capital projects	0	331	331	0
<b>Total</b>	<b>2,944</b>	<b>21,395</b>	<b>11,395</b>	<b>(10,000)</b>

### **Poole Neighbourhood Account**

76. Figure 6 below presents the Poole neighbourhood HRA for the period 1 April 2018 to 30 September 2019. The forecast year-end position to 31 March 2020 is a shortfall of £121k 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.

77. The forecast for rental income is unchanged since Quarter 1 due to delays in reporting from the new housing management system.

**Figure 6: Poole Neighbourhood Housing Revenue Account**

	Sept Actuals £000s	Approved Budget £000s	Forecast Outturn £000s	Variance £000s
<b>Income</b>				
Dwelling Rents	(7,241)	(19,855)	(19,782)	73
Non-Dwelling Rents	(11)	(37)	(31)	6
Charges for Services and Facilities	(345)	(1,316)	(1,294)	22
Contributions towards expenditure	(5)	(52)	(52)	0
Other Income	0	(235)	(226)	9
Canford Shared Ownership Receipts	0	(716)	(716)	0
<b>Total Income</b>	<b>(7,602)</b>	<b>(22,211)</b>	<b>(22,102)</b>	<b>109</b>
<b>Expenditure</b>				
Repairs and Maintenance	2,849	5,237	5,237	0
Supervision and Management	1,744	4,316	4,330	14
Rent, rates, taxes and other charges	11	158	157	(1)
Bad or Doubtful debts	0	197	197	0
Capital financing costs ( <i>debt management costs</i> )	(91)	103	103	0
Depreciation Dwellings	0	4,882	4,882	0
Capital Charges ( <i>net</i> )	0	3,020	3,020	0
Contribution to the new build programme	0	4,298	4,177	(121)
<b>Total Expenditure</b>	<b>4,513</b>	<b>22,211</b>	<b>22,103</b>	<b>(108)</b>
<b>(Surplus) / Deficit</b>	<b>(3,089)</b>	<b>0</b>	<b>1</b>	<b>1</b>

78. In addition, Figure 7 below presents the monitoring position in respect of the capital programme for the Poole neighbourhood account.

79. 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.

80. In September, the Council approved a £750k increase to the small projects budget to support the buy-back of properties relating to Project Admiral bringing the total budget to £17.9m

81. The forecast variance against the revised programme at this stage is reduced spend of £4.4m from the re-phasing of a number of projects, the largest of which is the Herbert Avenue Modular Scheme of £2.1m. These budgets will be carried forward into the 2020/21 programme.

82. Actual spend in the second quarter represents 29% of the annual forecast.

**Figure 7: Poole Neighbourhood HRA – Capital Programme**

	<b>Sept Actuals £000s</b>	<b>Revised Budget £000s</b>	<b>Forecast Outturn £000s</b>	<b>Variance £000s</b>
<b>Basic Planned Maintenance</b>				
External Doors	30	150	150	0
Boiler Replacement Programme	272	612	612	0
Windows	213	500	500	0
Building External – All schemes	1	490	490	0
Fire Risk Remedial works	87	988	700	(288)
Electrical Works	83	400	400	0
Kitchen Replacement Programme	170	365	365	0
Building Envelope (Seddons)	237	306	306	0
Roofing	137	379	379	0
Bathrooms	38	218	218	0
Various programmes under £100k	235	725	725	0
Capitalised PHP Salaries	305	522	522	0
<b>Other Planned Maintenance</b>				
Information Technology Capital Costs	310	535	535	0
Disabled Adaptions	124	350	350	0
Sustainability	5	100	100	0
Small Planned Maintenance projects	0	86	86	0
<b>Major Projects</b>				
Canford Heath Road	1,369	3,576	3,576	0
Herbert Avenue	0	2,509	383	(2,126)
Tower Blocks (Old Town)	10	1,200	360	(840)
New Build in-fill	2	1,000	1,000	0
Sprinklers	0	600	30	(570)
Small Sites Programme	352	1,250	1,250	0
Cladding	(185)	500	50	(450)
Cynthia House	67	300	300	0
Hillbourne School Site	26	255	123	(132)
<b>Total</b>	<b>3,888</b>	<b>17,916</b>	<b>13,509</b>	<b>4,407</b>

### Companies and Partners Organisations

83. 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

84. 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.

### **Reporting Assumptions**

85. 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.

86. Actual expenditure and income is that posted to the Council's financial ledger as at 30 September 2019 and covers the period from 1 April 2019.

87. 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.

### **Proposed Actions**

88. It is important that the council acts to correct emerging risks to its budget strategy and financial sustainability. The actions below are therefore recommended.

89. Requests that the Corporate Director for Resources sets out in the 2019/20 Budget Monitoring report for the third quarter the budget variances within the directorate and the actions being taken to bring the budget into balance.

90. Requests that the Corporate Director for Adults sets out as part of the third quarters budget monitoring report the detail behind the £1.4m projected deficit in Service User contributions in the Bournemouth and Christchurch areas and the extent to which system, data quality and process improvements have enabled a revised financial forecast to be generated.

### **Consultation**

91. 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**

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

## **Summary of financial implications**

93. 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**

94. 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**

95. None specifically related to this report.

## **Summary of environmental impact**

96. None specifically related to this report.

## **Summary of public health implications**

97. None specifically related to this report.

## **Summary of equality implications**

98. 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**

99. 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**

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&MIId=123&Ver=4>

Quarter One Budget and Performance Monitoring report 2019/20

[https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=3721&Ve  
r=4](https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=3721&Ve<br/>r=4)

## **Appendices**

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 Mosaic System from the Corporate Director of Adult Social Care

Appendix D Report on the 2019/20 Directorate Budget Position from the Corporate Director of Children's Services

Appendix E Report on the 2019/20 Directorate Budget Position from the Corporate Director of Regeneration & Economy

Appendix F Report on the 2019/20 Directorate Budget Position from the Corporate Director of Environment and Community

## Appendix A

### Forecast Annual Revenue Variances greater than £100,000

#### Adult Social Care & Public Health

Budget	Explanation	June Variance £000s	Sept Variance £000's	Change £000's
Employee Costs	Vacancies due to recruiting difficulties	0	(381)	(381)
Care packages	Saving due to assumptions for Christchurch care being higher than required netted off by other care cost pressures	0	(1,107)	(1,107)
Service User contributions	Service User contributions lower than budgeted	0	1,397	1,397
Other Social Care Activities	Miscellaneous variance of smaller scale	0	91	91
<b>Total Adult Social Care &amp; Public Health</b>		<b>0</b>	<b>0</b>	<b>0</b>



## Appendix A

### Children's Services Directorate

Budget	Explanation	June Variance £000s	Sept Variance £000's	Change £000's
<b>Specific Service Costs</b>				
Children in Care (CiC)	Higher number of cases inherited from the Christchurch area.	353	795	442
Children in Care (CiC)	Reduction seen in Bournemouth and Poole localities over Q2. Result of project/focus work on residential placements.	1,147	705	(442)
Operational Staff costs	Legacy staffing pressures on the front door Social Work teams across BCP	345	345	0
Business Support of front-line teams	Legacy support arrangements for supporting front line operational teams.	200	200	0
Special Educational Needs and Disabilities School Transport	Further growth in numbers of pupils eligible for transport. Of the £538k pressure, approx. £300k is inherited from the Christchurch area.	400	538	138
Home to School Transport	Following the start of the academic year there is pressure in Home to School Transport.	0	292	292
<b>System Wide Costs</b>				
Staff costs	Impact of restructure implementation from January 2020.	250	184	(66)
Interim Management	Additional resources during creation of new service and service improvement and to allow handover between current and new Directors.	255	206	(49)
Various	Result of micro budget management to offset pressures in the whole system. Vacancy management held at Children's Directorate Management Board. It is worth noting that vacancies in Social Work posts are undergoing recruitment, so this may affect the bottom line.	0	(315)	(315)
<b>Total Children's Services</b>		<b>2,950</b>	<b>2,950</b>	<b>0</b>

## Appendix A

### Regeneration and Economy Directorate

Budget	Explanation	June Variance £000s	September Variance £000's	Change £000's
<b>Growth &amp; Infrastructure</b>				
Concessionary Fares	Price increase for the Christchurch conurbation	373	346	(27)
Street Lighting	Higher levels of electricity price inflation than provided for	215	215	0
Bus Subsidy	Renegotiated contract savings	(100)	(100)	0
Other	Engineering (Twin Sails repairs) and Traffic Management	75	0	(75)
Car Parking	Increased Income	0	(89)	(89)
Planning Services	Consistent approach to funding	0	(300)	(300)
<b>Total</b>		<b>563</b>	<b>72</b>	<b>(491)</b>
<b>Development</b>				
Property Services	Staff redundancy costs	120	120	0
<b>Total</b>		<b>120</b>	<b>120</b>	<b>0</b>
<b>Destination and Culture</b>				
Two Riversmeet	Staffing costs	130	130	0
Two Riversmeet	Additional income through improved product offer	0	(15)	(15)
Castle, Upton House, Museums and Libraries	Highcliffe Castle reduced income and extra costs plus Upton Country Park reduced income and extra maintenance	299	164	(135)
Seafront	Beach hut income and concession income	121	1	(120)
<b>Total</b>		<b>550</b>	<b>280</b>	<b>(270)</b>
<b>Total Regeneration &amp; Economy</b>		<b>1,233</b>	<b>472</b>	<b>(761)</b>

## Appendix A

### Environment & Community Directorate

Budget	Explanation	June Variance £000s	September Variance £000's	Change £000's
<b>Environment</b>				
Bereavement	Reduced income from cremations, largely due to opening of a new private facility also offering ceremonies in the BCP area.	610	567	(43)
Parks	Income from concessions and chargeable services below expectations.	200	193	(7)
Waste & Cleansing	Dorset Waste Partnership anticipated underspend.	0	(107)	(107)
Highways Maintenance	Under budgeted works in Christchurch	0	17	17
<b>Housing</b>		0	0	0
<b>Communities</b>		0	0	0
<b>Total Environment &amp; Community</b>		<b>810</b>	<b>670</b>	<b>(140)</b>

## Appendix A

### Corporate Services and Corporate Items

Budget	Explanation	June Variance £000s	September Variance £000's	Change £000's
<b>ICT</b>				
Staffing	Combination of vacancy factor £34k and £3k small pressures	0	37	37
<b>Organisational Development</b>				
Major Projects Team	LGR Funding up to the end of September for existing structure. No funding thereafter.	0	371	371
Staffing	Notice for pay for previous employee	0	22	22
HR – Trade Union Representative	Removal of trade union post	0	(14)	(14)
<b>Law and Governance</b>				
Registrars Income	Higher than anticipated income from the merger of the three Councils	0	(80)	(80)
Land Charges Income	Wider external factors affecting income generation	0	140	140
PA to Council Leader	Removal of duplicate post	0	(32)	(32)
Staffing	Use of specialised temporary staff	0	40	40
<b>Finance</b>				
Finance Systems	Due to higher than expected annual licences	0	25	25
Revenues and Benefits	Various savings achieved from across Revenues and Benefits (Inc. SVPP)	0	(109)	(109)
External Audit Fees	Additional audit work undertaken for the three legacy council accounts	0	24	24
Emergency Standby Allowance	New standby arrangements from September 2019	0	(18)	(18)
Civil Contingency Unit	Reduction in contribution	0	(8)	(8)
<b>Total Corporate Services and Corporate Items</b>		<b>0</b>	<b>398</b>	<b>398</b>