

Report subject	Quarter 3 Budget Monitoring Report 2019-20
Meeting date	12 February 2020
Status	Public Report
Executive summary	<p>This report presents the council's performance against budget for the period 1 April 2019 to 31 December 2019.</p> <p>In summary, the general fund revenue projected outturn for 2019/20 is a pressure within net expenditure of £5.3 million (compared with £4.5 million previously reported at September). These pressures can be met from the additional resources (£2.5 million revenue budget contingency and £6.5 million 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>At this stage the contingency within the budget is projected to be fully used with a recommendation to the Council to release up to £2.7 million of the Financial Resilience earmarked reserves to support the annual budget. This will allow services to maintain their projected level of activity and related spending plans to deliver on agreed priorities.</p> <p>In the appendices included with the end of September report and in appendices C and D in this report, the Corporate Directors have provided details of the service pressures and actions they are taking in mitigation.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Cabinet notes:</p> <ul style="list-style-type: none"> (a) the report contents and the projected outturn position (b) the reports from the Corporate Directors of Adult Social Care and Resources in the appendices (c) the forecast year end outturn positions for capital, reserves and Housing Revenue Account neighbourhood accounts. <p>Cabinet recommends to Council:</p> <ul style="list-style-type: none"> (a) to agree to release up to £2.7 million of the Financial Resilience earmarked reserves to support the 2019/20 annual budget as detailed in paragraph 47.

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	Cllr David Brown – Finance
Corporate Director	Julian Osgathorpe - Resources
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Wards	Council wide
Classification	For 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.

Revenue Budget

3. Based on activity in the first half of the year a £4.5 million pressure was previously estimated. This has now increased to £5.3 million over the third quarter. This projection is before consideration is given to the use of the contingency or earmarked Financial Resilience reserves.
4. The forecasts at the end of December have been prepared based on activity to date with trends estimated for the final quarter. Historically, the legacy Councils have seen significant changes in budget variances over the final quarter and particularly in the larger demand-led services. The most significant change in the forecast over the third quarter is for Adult Social Care (ASC) services, with the projected year end position

moving from balanced to a potential overspend approaching £1 million. This changing budget position is largely due to activity to free up hospital beds more quickly within the NHS and the forecast assumes this will continue over the remainder of the year.

5. **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 31 December 2019

	December Actuals £000s	Approved Resources £000s	Projected Outturn £000s	Projected Variance £000s
Service Budgets				
Adult Social Care & Public Health	76,409	108,257	108,807	550
Children's Services	53,525	60,940	63,890	2,950
Regeneration & Economy	3,760	7,064	7,394	330
Environmental & Community	23,982	48,111	48,811	700
Resources	33,710	29,698	29,970	272
Total Service Position	191,386	254,070	258,872	4,802
Corporate Budgets				
Investment Property Income	(4,307)	(5,743)	(5,185)	558
Pensions (back funding)	7,071	9,428	9,428	0
Repayment of debt (MRP)	0	9,501	9,501	0
Other Corporate Items	0	(300)	(300)	0
Interest on borrowings	2,336	3,114	3,114	0
Treasury Income	(200)	(185)	(295)	(110)
Revenue Contribution to Capital (RCCO)	1,295	1,726	1,726	0
Total Corporate Budgets	6,194	17,541	17,989	448
Total Budget excluding Contingency	197,580	271,611	276,861	5,250
Potential use of Contingency	0	2,536	0	(2,536)
Potential use of Resilience Reserves	0	0	(2,714)	(2,714)
Net Budget	197,580	274,147	274,147	0
Resilience Reserves not currently being used				(3,786)

6. Over the third quarter Service Directors have continued to consolidate activity with progress made in the appointment of service managers, with further alignment of the approved budget to the emerging corporate structure. The variances shown in the table above reflect the Directorate responsibilities at the end of December.
7. 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 could mitigate these pressures was considered by each Corporate Director in the quarter two monitoring report appendices. The February Medium Term Financial Plan (MTFP) update report on the meeting agenda makes future provision for on-going pressures as necessary.

8. Work continues to address the potential overspend 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.
9. 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 councillors should be aware. The presentational convention is that favourable variances are shown in brackets.

Adult Social Care Directorate: £960,000 projected overspend

10. Adult Social Care is projecting a budget pressure of £960,000. This follows a projection of a balanced budget at half year. The change is due to unprecedented increase in demand for care as well as rapid increase in cost of residential placements due to market demand and complexity of care provided.
11. The pressures in both acute hospitals (particularly Poole Hospital) to rapidly discharge residents have led to increased expenditure in a range of areas including interim and emergency care home placements. This will inevitably lead to more long-term care home placements.
12. The projected pressure of £1.864 million for care packages is a result of additional demand for care for people 65+ as well as for working age people with learning disabilities particularly individual high cost packages of care.
13. Client contributions income has recovered during the quarter, now showing greater than budget as a direct consequence of the additional demand for care mentioned above.
14. A £249,000 saving for employees' costs is forecast, mainly due to the difficulty in recruiting social work staff. The service continues to undertake recruitment activity however it has been necessary to extend agency staff placements.
15. Miscellaneous savings of £356,000 are projected mainly due to additional contributions from Health and reduced pressures in other running costs.
16. **Appendix C** provides a report from the Corporate Director for Adult Social Care setting out the updated position for the previously reported £1.4 million projected income 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.

Public Health: (£410,000) surplus Partnership Reserve returned to the council

17. The Joint Public Health Board will be asked to approve the return of £410,000 to BCP Council from the Public Health Dorset reserves, to support non-recurrent spend in line with the public health grant conditions. The reserve from this ring-fenced grant will be applied to qualifying expenditure to reduce service overspends for the year.

Children's Services Directorate: £2,950,000 projected overspend

18. The projected overspend remains at the quarter two level of £2.95 million even though the pressure in Special Educational Needs (SEN) transport has increased

significantly. There remains forecast growth in demand for services and delay in the implementation of new staffing structures.

19. The cost pressure for Children in Care (CiC) has increased slightly from the quarter two position. The total CiC pressure is now £1.62 million. The amount in respect of the Christchurch area has reduced slightly to £630,000 but the Bournemouth and Poole localities has increased to £990,000 reflecting a recent spike in expensive CiC placements. There remains an element of growth in the overall forecast pressure which, if not seen in the remaining quarter, will reduce the overall CiC pressure.
20. The projected overspend for SEN Transport has increased from the quarter two position and the pressure is now forecast to be £1 million. The increase is linked with the significant pressures seen in the High Needs Block of the Dedicated Schools Grant.
21. The pressure in business support continues to be contained and it is anticipated that this will be a one-off impact with spend reduced accordingly for future years.
22. Due to insufficient time to enable restructure of the service in line with the budget profile the assumed £250,000 half year saving is delayed. This should not impact on the MTFP. The restructure was implemented in January 2020 reducing the pressure to £184,000.
23. Pressures continue to be projected in the Children's front door social work teams of £345,000 and £206,000 is being spent on interim management to provide additional support across the Directorate to make faster progress with service transformation.
24. The number of children within the Child Health and Disability Team (CHAD) is expected to be less than budgeted. This has resulted in a projected quarter three forecast underspend of £336,000.
25. Due to a continued 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. Overall there are miscellaneous savings of £558,000, including additional income from grants and traded activities.

Regeneration and Economy Directorate: £330,000 projected overspend

26. The Directorate is forecasting a £330,000 pressure, which is reduced from the quarter two projection of £472,000, a decrease of £142,000.
27. 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 £300,000 which is unchanged for quarter three.
28. The estimated pressure for concessionary fares has reduced to £330,000. The pressure is due to an increase in the price paid within the Christchurch conurbation to ensure consistency across the authority. The forecast pressure relating to street lighting has increased to £256,000 more than the extra resources set aside in the base budget due to price inflation. These overall pressures within Growth & Infrastructure are reduced by the net impact of a £100,000 saving from the renegotiation of the bus subsidy contract, extra traffic management costs and a further increase in parking income projected to be above budget by £188,000.

29. The forecast pressure for cultural attractions within Destination and Culture has increased from £164,000 at quarter two to £260,000 at quarter three. Previously reported pressures relating to museums and libraries remain resolved and have been removed. However, budget pressures associated with Highcliffe Castle have grown including utility, agency, event, rates and advertising costs plus a shortfall in income levels. Some staff budget savings within business support improve this position by £30,000.
30. The forecast pressure for Christchurch leisure centre (Two Riversmeet) staffing budget has increased by £45,000 to £175,000 from quarter two. Other leisure centre contracts have improved by £88,000 mitigating the increase and part of the initial pressure. Continual analysis of the leisure centre operation has been undertaken to ensure ongoing improvements are being implemented where practical as soon as possible.
31. Development services have experienced unexpected redundancy costs due to staff changes at the start of the year contributing a pressure of £120,000. New one-off in-year funding for two existing posts has enabled £90,000 to be mitigated leaving a £30,000 pressure.

Environment and Community Directorate: £700,000 projected overspend

32. There is a projected net budget deficit of £700,000 with the pressure purely associated with the Environment service area. This is an increase of £30,000 from the previous forecast position with none of the previously reported individual variances changing significantly over the quarter.
33. The most significant variance is the reduction in income from both the Bournemouth and Poole crematorium with a budget shortfall projected at £561,000 against the overall crematorium annual income target of £5 million. This is further to the reduction of £350,000 provided for as part of the base 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 has improved slightly from the anticipated increase in income from harmonising cremation fees from November 2019 and running costs at Poole crematorium being below budget.
34. 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 later in the year. It is anticipated that this will propose using resources set aside in a bereavement services specific earmarked reserve to help remodel the service.
35. Income from concessions and chargeable activity are below expectations by £201,000 in parks services, showing a slight worsening of the position last reported.
36. Both the Housing and the Community service areas are currently indicating a balanced position.

Resources Directorate and Corporate Items: £272,000 projected overspend

37. The directorate is projecting a net overspend of £272,000 which has reduced from the previous quarter reported variance of £398,000.

38. As reported last quarter the main cost pressure is the funding of the major projects team which has now decreased to a net pressure of £235,000. The cost pressure has been reduced by ensuring staff costs for work supporting services is recovered. The team recharge their full cost to the projects they support and funding for local government reorganisation ended in September. The Directorate will continue to work to manage this overspend within the established budget.
39. Since last quarter's monitoring an additional £74,000 has been released from the Brexit grant to offset the additional pressure for in house staff working on planning arrangements to exit the EU.
40. External audit costs are expected to be higher than previously assumed for 2019/20 as the auditors have agreed further work is to be carried out nationally in key risk areas. Together with the pressure identified at quarter two relating to the additional work in the audit of the 2018/19 accounts the total pressure has risen to £103,000.
41. **At Appendix D** the Corporate Director for Resources has set out the budget actions which have been identified to offset the previously reported £398,000 overspend in quarter 2 monitoring.

Central Budget Area: £448,000 projected income deficit

42. Treasury Income for the authority is forecasted to be £110,000 higher than budgeted as cash balances remain higher than expected. The treasury team continue to work hard to ensure the council can secure high returns from its limited investment balances.
43. Investment property income is expected to be £558,000 under budget specifically due to the Dolphin Centre as the guaranteed rent agreement has yet to take effect. Some of the pressure relates to previous year's assumptions around the rent reconciliation as the amount the council will have to repay. Cabinet in March is to consider the non-treasury investment strategy for 2020/21 which will be updated to reflect these issues.
44. There is potential that the Council will be distributed with a share of the NNDR levy surplus account which is estimated to be in the region of £200,000. At the time of writing this report no official confirmation of the amount or timing has come from central government, so for a matter of prudence has not been included in the figures set out in Figure 1.

Revenue Virements

45. A revenue virement is a transfer of resource between approved budgets.
46. In accordance with the Council's Financial Regulations the following rules associated with revenue virements apply (after advice from the Chief Finance Officer):
- Virements over £1 million require prior Council approval.
 - Virements over £0.5 million and up to £1 million require prior Cabinet approval.
 - Virements within or between budget areas over £100,000 and up to £500,000 can be approved by a Corporate Director
 - Virements within their service areas up to £100,000 can be approved by Service Directors.

47. In accordance with these regulations the following revenue budget virement requires the approval of Council:

Release from the Financial Resilience reserve to support the 2019/20 annual budget – up to £2.7 million

The use of the Financial Resilience earmarked reserves to support 2019/20 annual expenditure is recommended to enable the agreed service levels and planned developments to be delivered. The alternative to the use of these reserves would be the need to scale back planned activity in the final quarter with the risk that services would be unable to deliver on their priorities.

Reserves

48. 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.
49. **Appendix B** presents the projected use of the council's £49 million 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.
50. The appendix includes the level of reserves the council can expect to receive from Dorset Council as part of the final disaggregation following local government reorganisation. The majority of reserves which have transferred remain earmarked for the specific purposes set up by Dorset County Council. The balance has been added to the 1 April 2019 actual balances columns.
51. Explanations for significant anticipated movements in earmarked reserves during 2019/20 which were not predicted at September 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;

Financial Resilience Reserves

- | | |
|-----------------------------|--|
| a) £2.7 million | Financial Resilience Reserves
Expected use of financial resilience reserves as per Figure 1 and paragraph 47 of this report |
| b) (£2.1 million) | Financial Liability Reserve
Balance Sheet movement for the share of Dorset County Council disaggregated unearmarked balance to mitigate the deficit on the Dedicated Schools Grant budget |
| c) £600,000 /
(£600,000) | Financial Planning Reserve / Financial Liability Reserve
Movement between reserves to provide further mitigation for the deficit on the Dedicated Schools Grant budget |

Transition and Transformation Reserves

- d) £2.2 million Transition and Transformation costs
Projected cost of redundancies in 2019/20 as part of the ongoing transformation of the council.

Held in Partnership for External Organisations

- e) £400,000 Clinical Commissioning Group Emotional Wellbeing and Mental Health
Drawn down by Adult Services to support services in 2019/20

Government Grants

- f) £3.9 million Government Grants
Lower than previously assumed use of government grants. Most significant in relation to the use of the Troubles Families Grant.

Corporate Priorities & Improvements

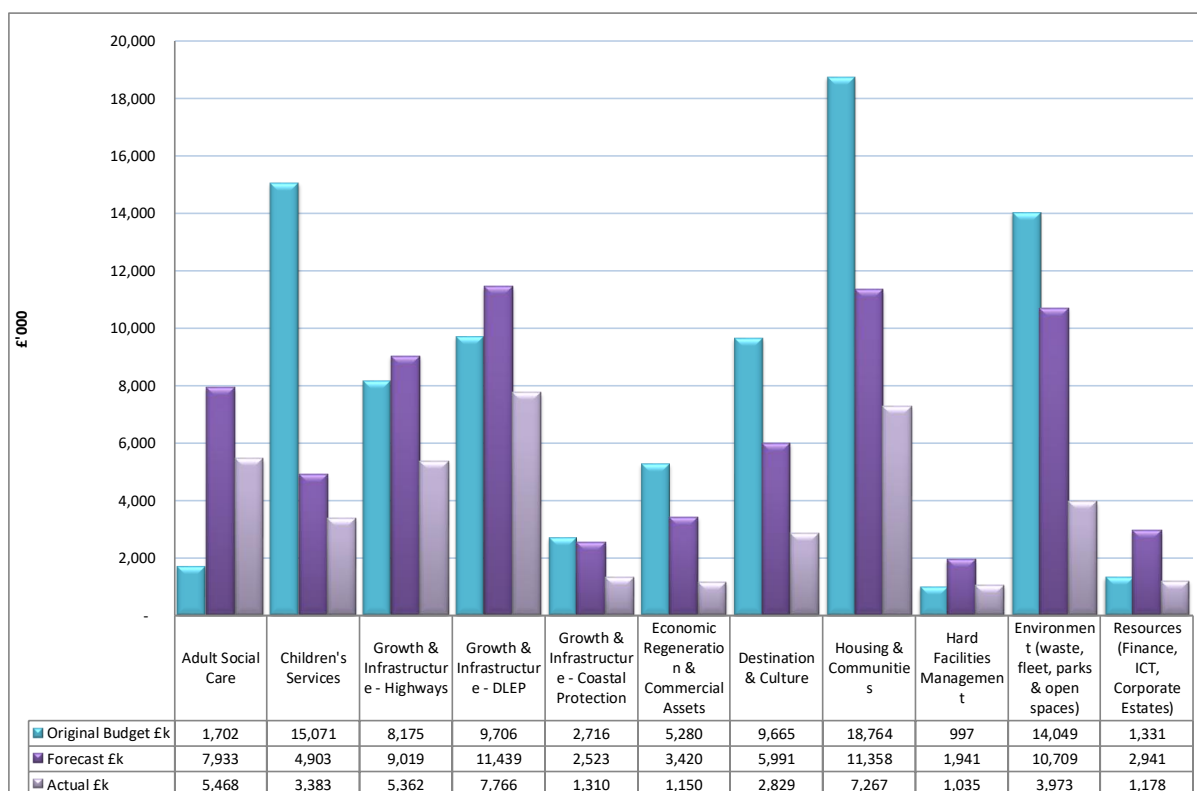
- g) £1.0 million Other Corporate Priorities & Improvements
Largest change due to the estimate £395k use of the Community Housing Fund.

Dedicated Schools Grant (DSG)

52. The latest position for 2019/20 is a forecast in-year deficit of £1.9 million (0.9 million more than forecast at the end of quarter two). This is in addition to the estimated net £3.6 million deficit brought forward from legacy councils. The in-year deficit position for 2019/20 takes into account £1 million of additional forecast DSG as reported at quarter two.
53. The growing deficit is a result of further pressures in high needs, with the forecast in-year deficit for this block of expenditure now estimated at £2.7 million (previously £2 million). The rise is due to a growing caseload of pupils with special educational needs as well as fee increases from independent special schools. The large fee increases are the result of the national increase in teacher's pension contributions with only a small grant allocation to the council from the DfE to offset these costs.
54. A funding gap of £7 million has been identified for 2020/21. Children's Services are working with schools and other stakeholders to develop strategies to reduce this potential deficit. However, whilst there will be some impact in the short term, given the scale of the problem, it will take more than one year to deliver a sustainable budget position.
55. Separate reports on the meeting agenda consider the DSG budget for 2020/21 in greater detail and within the context of the MTFP.

Capital Budget Monitoring

56. 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.
57. In February 2019 BCP Shadow Council approved a CIP budget of £87.5 million. The CIP has been updated since to include new approved capital projects, budget virements and unspent capital resource from 2018/19 to 2019/20. It has also been refreshed this quarter to reflect revised project delivery timelines for larger capital projects. As a result the approved CIP budget for 2019/20 has decreased from £87.5 million to £72.2 million.
58. Councillors are asked to note that approved capital budgets reprofiled from 2019/20 into 2020/21 will be included within CIP Budget 2020/21, to be considered by Council as part of the Budget MTFP 2020/21 report. Reprofiled reflects best estimates as at 31 December 2019. Any slippage in current year capital budgets (not identified through reprofiling already undertaken) will be added to the CIP Budget 2020/21 at 31 March 2020.
59. Figure 3 illustrates spend to date at the end of quarter three by council theme, in comparison with forecast full year planned spend of £72.2 million and original budget of £87.4 million.
60. **Figure 3: Quarter three CIP £40.7 million year to date spend (56% of current full year forecast)**



Update Report - CIP priority schemes

61. Adults Social Services

- No significant reprofiling of capital budget from 2019/20 to 2020/21 has been undertaken this quarter.

62. Children's Services

- In total around £13 million of the original budget has been reprofiled into the CIP for 2020/21. This relates predominantly to Carter Community School, Hillbourne School and Avonbourne Academy capital projects.
- The Council continues to work closely with the United Learning Trust for completion of expansion works at Carter School - the subject of a separate report within the MTFP Budget Papers.

63. Growth & Infrastructure - Highways Routine & Structural Maintenance

- The council is committed to promoting more environmentally sustainable means of travel across the conurbation. The council's strategic outline business case for government grant funding from the Transforming Cities Fund (TCF) was submitted 28 November 2019, with outcome expected in February / March 2020. If successful, the bid will generate a significant increase in capital funding for sustainable transport scheme delivery over three years from April 2020 to April 2023.
- This funding will be in addition to annual Local Transport Plan (LTP) government grant funding of around £6.8 million expected to be received by the council in 2020/21, to cover planned structural maintenance and integrated transport works.
- Full year forecast capital spend for 2019/20 includes £0.8 million LTP funded spend to finance TCF strategic outline business case submission. Around £0.4 million of this budget is forecast in quarter four to cover a range of early costs including communications to commence development of a sustainable transport campaign, engineering teams to continue preliminary development of the likely funded proposals, and programme management.

64. Growth & Infrastructure - Major Road Network Improvements

- In partnership with the Dorset Local Enterprise Partnership (DLEP), £6.5 million investment in 'Big Programme' major highways improvement schemes is forecast this financial year - consisting of Blackwater East Junction, Cooper Dean, A338 Widening and Wessex Fields projects. A338 widening (including the Cooper Dean stretch), and Blackwater East Junction works are complete. Work is ongoing on Blackwater West improvement works (commenced in summer 2019, with planned completion in spring 2020) and Wessex Fields Phase 1.1. In addition to planned spend of £6.5 million this year, a further £5 million planned spend has been profiled into the CIP 2020/21 budget, to better reflect current estimated project delivery timelines (total £11.5 million planned council spend on the 'Big Programme'). Of the total, £0.9 million of the planned 2020/21 spend relates to the Cooper Dean scheme which is largely now complete. The council is currently seeking DLEP approval to re-allocate this budget to the Wessex Fields scheme to extend Phase 1.1 to the employment site boundary.
- The planned spend profile for the council's DLEP funded Townside Access to the Port of Poole programme has been adjusted to reflect revised project delivery timeline.

65. 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 £3.3 million local contribution over a seven-year period, towards programme delivery. In addition, residual unspent £1.3 million approved capital spend in relation to the current phase of the project has been reprofiled into the CIP 2020/21.
- Officers will also continue to prepare new business cases to secure Environment Agency grant funding earmarked to BCP Council for new coastal protection and flood defence projects.

66. Economic Regeneration & Commercial Assets

- The council continues to work closely with BH Live to develop a long-term strategy for the Bournemouth International Centre (BIC) and in December approved a new interim short to medium term investment programme, to complement and be implemented in line with the its longer- term feasibility options study.

67. Destination & Culture

- The Council continues to consider options for cliff stabilisation works and seafront development in the Canford Cliffs area. This work is part of the council's longer term strategic seafront development strategy and capital budget has been reprofiled into the CIP 2020/21 accordingly.
- Good progress has been made with the delivery of other capital projects across the Poole area of the 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 early October the Ministry of Housing, Communities and Local Government (MHCLG) Coastal Communities Fund confirmed the council has been successful in its £2.4 million bid to develop a new eco-friendly hub building and refurbish existing Waste Transfer Station and yard at Durley Chine. The bulk of this spend is anticipated within the CIP 2020/21.

68. Housing & Communities

- The council's new 46-unit housing development at the St Stephen's site is progressing to schedule and is expected to complete within budget. Approved budget spend has been profiled within the CIP in line with programme delivery timeline.
- The original budget has been increased to reflect council approved Princess Road and Prince of Wales Road site development - to include a new 20-bed family hostel and 34 new private rented sector housing units within its General Fund. In addition the Bournemouth Neighbourhood Housing Revenue Account (BNHRA) will facilitate development of a further 22 new shared ownership homes and 65 homes at affordable rent at the same site.

69. 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).

70. Environment

- Fleet replacement strategy - procurement is underway to acquire vehicles in line with fleet management capital budget approved by Council February 2019 and Cabinet in January 2020. 2019/20 capital budget reflects spend on vehicles currently expected to be received prior to 31 March 2020.

71. Resources

- The Council continues to invest in its ICT Infrastructure. To date around 30 percent of approved full year budget has been committed. In utilising its approved ICT infrastructure investment budget the Council is mindful of the implications of its future transformation programme (as informed by the work of KPMG). To this end, £0.5 million of ICT WAN related spend has been reprofiled into 2020/21. A further £0.2 million of spend has been repurposed from existing ICT approved capital budgets to a new 'LGR Transformation - ICT Investment' capital budget within the CIP. This budget will fund 2019/20 ICT investment anticipated in advance of the start of the longer term transformation programme. The current 2019/20 ICT capital budget includes £1.9 million spend for desktop replacements. Of this budget, £1.4 million remains uncommitted as at 31 December. The council awaits the results of the transformation programme prior to committing significant amounts of this budget.

Funding of the Capital Investment Programme 2019/20

72. The council continues to rely on its own resources - capital reserves, borrowing (the costs of which are included within the MTFP) and capital receipts from disposal of its assets - to deliver the 2019/20 CIP.
73. Planned CIP 2019/20 spend of £31.4 million is funded from external Government Grants.
74. The CIP assumes £4.2 million of Community Infrastructure Levy (CIL) / s106 funding will be available this financial year to support the 2019/20 capital programme. 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'). CIL / s106 cash sums will be compared with CIP CIL / s106 planned utilisation, to mitigate the risk of funds being committed in advance of receipt. In addition to this, work on disaggregation of budgets from Dorset Authority has already identified £533,000 of s106 funding in relation to Blackwater Junction works that will be available to help finance 2019/20 capital spend.
75. The Table below summarises funding available for the £72.2 million CIP 2019/20.

BCP - Capital Investment Programme 2019/20		£000
		72,176

Government Grant		31,403
Third Party Receipts		525
CIL / s106		4,176
External Funding Sources	50%	36,104
Earmarked Reserves		1,765
Capital Receipts		2,912
Capital Fund (Revenue Funding for Capital)		7,881
Prudential Borrowing		23,155
Supported Borrowing		358
BCP Funding Sources	50%	36,072

Total funding requirement	72,176
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76. There are no capital budget virements and adjustments in the CIP requiring the approval of either Cabinet or Council this quarter.

Housing Revenue Account (HRA)

77. 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.

78. Within the HRA the council 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 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

79. Figure 4 below presents the Bournemouth neighbourhood HRA for the period 1 April 2019 to 31 December 2019. The forecast year-end position to 31 March 2020 is a balanced position with net variances forecast to increase the revenue contribution to capital above budget by £556,000.

80. There is below budget spend for the depreciation charge of £411,000 and interest payable of £402,000 to reflect updated calculations with the budget not reflecting recent trends. Supervision and management costs are projected ahead of budget by £163,000 due to additional staff costs.

Figure 4: Bournemouth Neighbourhood Housing Revenue Account

	December Actuals £000s	Approved Budget £000s	Forecast Outturn £000s	Variance £000s
Income				
Dwelling Rents	(16,747)	(22,407)	(22,393)	14
Non-Dwelling Rents	(122)	(114)	(144)	(30)
Charges for Services and Facilities	(415)	(1,199)	(1,195)	4
Contributions towards expenditure	(91)	(535)	(582)	(47)
Total Income	(17,375)	(24,255)	(24,314)	(59)
Expenditure				
Repairs and Maintenance	3,844	5,186	5,209	23
Supervision and Management	3,623	7,503	7,666	163
Rent, rates, taxes and other charges	246	156	248	92
Bad or Doubtful debts	0	188	188	0
Capital financing costs (debt management)	0	78	75	(3)
Depreciation Dwellings	0	7,296	6,885	(411)
Depreciation Non-Dwellings	0	22	100	78
Capital Charges (net)	1,238	2,889	2,487	(402)
Contribution new builds	0	900	1,456	556
Total Expenditure	8,951	24,218	24,314	96
(Surplus) / Deficit	(8,425)	(37)	0	37

81. Figure 5 below presents the monitoring position in respect of the capital programme for the Bournemouth neighbourhood account. The 'New Build & Acquisition Programme' original budget of £13.3 million approved in February 2019 was a 'single pot' allocation from which a programme of planned major capital schemes would be funded. This budget was adjusted by £10.3 million in quarter two to reflect:

- Re-profiling of £4.3 million Moorside Development capital budget to 2020/21 and 2021/22 (pending outcome of public enquiry in March 2020)
- Removal of £2.2 million capital budget for the St George's Development (a new build acquisition which is no longer progressing).
- A further £3.8 million technical accounting adjustment was made in quarter two in relation to hostel related spend.

82. Figure 5 below itemises how the residual £3 million 'single pot' 'New Build & Acquisition Programme' budget has been allocated to major capital projects within the Bournemouth neighbourhood HRA. The timeline (and associated budgeting) for new build developments is difficult to predict but the pipeline of new build homes to come forward beyond the current financial year remains positive.

83. Looking ahead, the Bournemouth neighbourhood HRA Capital Programme 'New Build Acquisition Programme' budget 2020/21 for Cabinet review in February 2020 will set out some of the major projects planned (as opposed to a 'single pot'), and

each significant scheme will be individually approved by subsequent Cabinet meetings as the year progresses.

Figure 5: Bournemouth Neighbourhood HRA – Capital Programme

	Decmber Actuals £000s	Approved Budget £000s	Forecast Outturn £000s	Variance £000s
New Build & Acquisition Programme	0	13,345	0	(13,345)
Major Projects				
Northbourne Day Centre	260	0	925	925
Charminster Close (garage site)	534	0	696	696
Princess Road Development	58	0	381	381
Helyar Road	264	0	270	270
Barrow Drive (garage site)	0	0	198	198
Luckham Road / Charminster Road	0	0	150	150
Various programmes under £100k	64	0	361	329
Contingency	0	0	63	96
New Build & Acquisition Programme	1,181	13,345	3,045	(10,300)
Windows	270	1,200	1,200	0
Bathroom Refurbishments	722	950	950	0
Kitchen Refurbishments	650	850	850	0
Disabled Adaptions	411	760	760	0
External Works	298	750	750	0
Fire Precautions / Detectors	332	600	600	0
Boiler Replacements	297	500	500	0
Re-roofing	112	300	300	0
Doors	31	300	300	0
Bedroom Extensions	3	200	200	0
Hot Water Systems	92	120	120	0
Insulation / Energy Efficiency	9	100	100	0
Rewiring	81	100	100	0
Common Areas	59	100	100	0
Various programmes under £100,000	691	539	875	336
Contingency	0	350	0	(350)
Staff time allocated to capital projects	0	331	331	0
Planned Maintenance Programme	4,058	8,050	8,036	(14)
Total Capital Programme	5,239	21,395	11,081	(10,314)

Poole Neighbourhood Account

84. Figure 6 below presents the Poole neighbourhood HRA for the period 1 April 2019 to 31 December 2019. The forecast year-end position to 31 March 2020 has increased to a shortfall of £191,000 (previously £121,000) on the planned Revenue Contribution to Capital Outlay (RCCO). The key reason for the variance is reduced income largely from dwelling rents of £177,000 due to delay in the delivery and occupation of the Canford Heath road scheme.

Figure 6: Poole Neighbourhood Housing Revenue Account

	December Actuals £000s	Approved Budget £000s	Forecast Outturn £000s	Variance £000s
Income				
Dwelling Rents	(14,962)	(19,855)	(19,678)	177
Non-Dwelling Rents	(15)	(37)	(37)	0
Charges for Services and Facilities	(779)	(1,316)	(1,303)	13
Contributions towards expenditure	(52)	(52)	(52)	0
Other Income	(52)	(235)	(234)	1
Canford Shared Ownership Receipts	0	(716)	(716)	0
Total Income	(15,860)	(22,211)	(22,020)	191
Expenditure				
Repairs and Maintenance	3,256	5,237	5,237	0
Supervision and Management	2,321	4,316	4,338	22
Rent, rates, taxes and other charges	12	158	158	0
Bad or Doubtful debts	0	197	197	0
Capital financing costs (debt management costs)	0	103	103	0
Depreciation Dwellings	0	4,882	4,882	0
Capital Charges (net)	1,443	3,020	2,998	(22)
Contribution to the new build	0	4,298	4,107	(191)
Total Expenditure	7,032	22,211	22,020	(191)
(Surplus) / Deficit	(8,828)	0	0	0

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

86. 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 £17.2 million. This increase of £2.7million is largely due to slippage on the Canford Heath project.

87. In September, the Council approved a £750,000 increase to the small projects budget to support the buy-back of properties relating to Project Admiral. During

Quarter 3 the acquisitions budget was approved of £450,000 bringing the total budget to £18.4 million.

Figure 7: Poole Neighbourhood HRA – Capital Programme

	December Actuals £000s	Revised Budget £000s	Forecast Outturn £000s	Variance £000s
Basic Planned Maintenance				
External Doors	50	150	115	(35)
Boiler Replacement Programme	538	612	759	146
Windows	330	500	500	0
Building External – All schemes	10	490	141	(349)
Fire Risk Remedial works	175	988	688	(300)
Electrical Works	153	400	190	(210)
Kitchen Replacement Programme	288	365	464	99
Building Envelope (Seddons)	424	306	452	146
Roofing	168	379	379	0
Bathrooms	82	218	220	(2)
Various programmes under £100,000	437	725	798	78
Capitalised PHP Salaries	348	522	522	0
Other Planned Maintenance				
Information Technology Capital Costs	310	535	535	0
Disabled Adaptions	177	350	350	0
Sustainability	22	100	100	0
Small Planned Maintenance projects	30	86	86	0
Major Projects				
Canford Heath Road	1,827	3,576	3,576	0
Herbert Avenue	8	2,509	380	(2,129)
Tower Blocks (Old Town)	12	1,950	360	(1,590)
New Build in-fill	2	1,000	50	(950)
Sprinklers	0	600	10	(590)
Small Sites Programme	1,170	950	1,026	76
Cladding	(185)	500	50	(450)
Cynthia House	86	300	315	15
Hillbourne School Site	38	255	122	(133)
Total	6,500	18,366	12,187	6,179

88. The forecast variance against the revised programme at this stage is reduced spend of £6.2 million from the re-phasing of a number of projects, the largest of which is the Herbert Avenue Modular Scheme of £2.1 million. These budgets will be carried forward into the 2020/21 programme.

89. Actual spend at the end of the third quarter represents 53 per cent of the annual forecast.

Companies and partner organisations

90. 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;

- a. Poole Housing Partnership
- b. Bournemouth Building & Maintenance Ltd
- c. Seascope Group Ltd
- d. Seascope South Limited
- e. Seascope Homes and Properties Limited
- f. Five Parks Charity
- g. Lower Central Gardens Trust
- h. Russell-Coates Art Gallery & Museum Charitable Trust
- i. The Bournemouth Development Company LLP
- j. Tricuro
- k. Aspire Adoptions

91. Each of these entities has their own governance framework and their own arrangements for reporting their financial and operating performance. The performance will be reported when disclosed publicly by these associated organisations.

Reporting assumptions

92. 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.

93. Actual expenditure and income is that posted to the council's financial ledger as at 31 December 2019 and covers the period from 1 April 2019.

94. 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.

Consultation

95. 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.

Options appraisal

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

Summary of financial implications

97. 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 MTFP 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

98. 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

99. None specifically related to this report.

Summary of sustainability impact

100. None specifically related to this report.

Summary of public health implications

101. None specifically related to this report.

Summary of equality implications

102. 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

103. 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

104. The 2019/20 Budget and Consolidated 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;

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

106. Quarter One Budget and Performance Monitoring report 2019/20
<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?CId=285&MIId=3721&Ver=4>

107. Quarter Two Budget Monitoring Report 2019/20
<https://democracy.bcpCouncil.gov.uk/mgChooseDocPack.aspx?ID=3723>

Appendices

- Appendix A Forecast Annual Revenue Variances greater than £100,000 by Directorate
- Appendix B Forecast use of Reserves in 2019/20
- Appendix C Report on service user contributions in the Bournemouth and Christchurch areas and system changes to facilitate forecasting improvements from the Corporate Director of Adult Social Care.
- Appendix D Report on the 2019/20 Directorate Budget Position from the Corporate Director of Resources

Forecast Annual Revenue Variances greater than £100,000

Adult Social Care & Public Health

Budget	Explanation	Sept Variance £000's	Dec Variance £000's	Change £000's
Employee Costs	Vacancies due to recruiting difficulties	(381)	(249)	132
Care packages	Pressure due to additional demand for provision of care and increased cost of residential placements	(1,107)	1,864	2,971
Service User contributions	Service user contributions now above budget	1,397	(299)	(1,696)
Other Social Care Activities	Miscellaneous variance of smaller scale	91	(356)	(447)
Total Adult Social Care		0	960	960
Public Health – from distribution of reserves to partners		0	(410)	(410)
Total in Table 1		0	550	550

Children's Services Directorate

Budget	Explanation	Sept Variance £000's	Dec Variance £000's	Change £000's
Specific Service Costs				
Children in Care (CiC)	Higher number of cases inherited from the Christchurch area.	795	630	(165)
Children in Care (CiC)	Increase in Bournemouth & Poole localities reflecting a spike in expensive CiC placements.	705	990	285
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
SEN Transport	Further growth in numbers & associated cost of pupils eligible for SEN transport.	538	1,020	482
Home to School Transport	Quarter 3 reflects a slight decrease in Home to School Transport pressure.	292	205	(87)
Staff costs	Impact of restructure implementation from January 2020.	184	184	0
Interim Management	Additional resources during creation of new service and service improvement and to allow handover between current and new Directors.	206	270	64
Various	Result of micro budget management to offset pressures in the whole system as well as additional income from grants and traded activities	(315)	(558)	(243)
CHAD	The numbers of children within the Child Health and Disability Team (CHAD) is expected to be less than budgeted.	0	(336)	(336)
Total Children's Services		2,950	2,950	0

Regeneration and Economy Directorate

Budget	Explanation	Sept Variance £000's	Dec Variance £000's	Change £000's
Growth & Infrastructure				
Concessionary Fares	Price increase for the Christchurch area	346	330	(16)
Street Lighting	Higher levels of electricity price inflation than provided	215	256	41
Bus Subsidy	Renegotiated contract savings	(100)	(100)	0
Car Parking	Increased Income	(89)	(188)	(99)
Planning Services	Consistent approach to funding	(300)	(300)	0
Total		72	(2)	(74)
Development				
Property Services	Staff redundancy costs	120	120	0
Economic Development	Additional funding for staff	0	(90)	(90)
Total		120	30	(90)
Destination and Culture				
Two Riversmeet	Staffing costs with legacy budget issues.	130	175	45
Two Riversmeet	Additional income through improved product offer	(15)	(15)	0
Leisure Centres	Contractual improvements	0	(88)	(88)
Castle, Upton House, Museums and Libraries	Highcliffe Castle reduced income and extra costs plus Upton Country Park reduced income and extra maintenance	164	260	96
Seafront	Beach hut income and concession income	1	0	(1)
Business Support	Staffing vacancies	0	(30)	(30)
Total		280	302	22
Total Regeneration & Economy		472	330	(142)

Environment & Community Directorate

Budget	Explanation	Sept Variance £000's	Dec Variance £000's	Change £000's
Environment				
Bereavement	Reduced income from cremations, largely due to opening of a new private facility also offering ceremonies in the BCP area.	567	561	(6)
Parks	Income from concessions and chargeable services below expectations.	193	201	8
Waste & Cleansing	Dorset Waste Partnership anticipated underspend.	(107)	(91)	16
Other variances individually < £100,000	Highways maintenance additional costs and Recreation and Sports loss of income from concession ending	17	29	12
Housing		0	0	0
Communities		0	0	0
Total Environment & Community		670	700	30

Appendix A

Resources Directorate and Corporate Items

Budget	Explanation	Sept Variance £000's	Dec Variance £000's	Change £000's
ICT				
Staffing	Combination of vacancy factor and small pressures	37	10	(27)
Organisational Development				
Major Projects Team	LGR Funding up to the end of September for existing structure. No funding thereafter. Reduction from quarter 3 due to allocation to projects with cost recovery.	371	235	(136)
Other	Additional Staff costs and reduced income recovery	8	86	78
Law and Governance				
Land Charges Income	Wider external factors affecting income generation. Pressure now offset with various saving across the service unit.	140	45	(95)
Other	Higher than anticipated income from Registrars (£80,000), less additional staff costs £8,000	(72)	(72)	0
Finance				
External Audit Fees	Additional work for 2018/19 and 2019/20 on assets and pensions to comply the code of audit practice.	24	50	26
External Audit Fees	Difference between actual core audit costs compared to budget based on indicative scale fee.	0	51	51
Finance System	Higher than expected annual system licences	25	25	0
Revenues and Benefits	SVPP surplus returned to BCP Council	(109)	(109)	0
Revenues and Benefits	Various Revenues and Benefit legacy budget issues.	0	51	51
Other variances individually < £100,000	New standby arrangements from September 2019 (£18,000), Brexit grant allocated to staff costs (£74,000) and reduced contribution to Civil Contingency unit (£8,000)	(26)	(100)	(74)
Total Corporate Services		398	272	(126)