

CABINET



Report subject	BCP Council Finance Update
Meeting date	27 May 2020
Status	Public Report
Executive summary	The country is currently facing the biggest public health emergency for a generation. This will require urgent and decisive action by the council to support its community while also supporting the integrity of the council's financial position and sustainability.
Recommendations	It is RECOMMENDED that Cabinet: a) Note the contents of the report and that a further report is scheduled for June Cabinet outlining the progress made in establishing and managing the financial impact of Covid-19. b) Request that a revised annual budget for 2020/21 is developed for Council approval in July 2020. c) Request that the Corporate Director for Resources brings forward a report outlining the Council's transformation programme to June Cabinet.
Reason for recommendations	The Covid-19 pandemic has a very significant impact on the council's finances beyond that currently expected to be supported by central government. Early action has been taken to limit expenditure where possible. Further actions are now needed. There is the prospect of measures to maintain social distancing continuing for some time with venues remaining closed during periods when higher income levels are normally generated. There is also no certainty that there will not be further periods of disruption related to the outbreak this financial year or in future. The council's response in maintaining services during the pandemic may also have consequences for the transformation agenda which should be refreshed to take account of the latest developments.
Portfolio Holder(s):	David Brown, Cabinet Member for Finance
Corporate Director	Julian Osgathorpe, Corporate Director for Resources

Report Authors	Adam Richens, Finance Director and Section 151 Officer
Wards	Council-wide
Classification	For Decision

Background

1. Since 2010 local authorities have had to face significant reductions in government funding. For BCP Council this has been equated to £105 million with the consequence that within the £283 million net budget for 2020/21 the council will only be receiving £3 million in un-ringfenced government funding (revenue support grant). Most of our net budget is being funded from council tax (£218 million) and business rates (£58 million).
2. The public health emergency has resulted in extra pressures on services in support of the most vulnerable; the elderly, disabled and homeless. This includes getting rough sleepers off the street, supporting new shielding programmes for clinically extremely vulnerable people and assisting the heroic public sector and social care workforce.
3. At the same time the council's income base is collapsing with leisure centres shut, seafront services closed, and parking fees not being generated, as well as lower council tax and business rates yields. This loss of income represents a real reduction in the resources available to fund local services and will mean that, without further government funding, the council will have to fundamentally rebase its 2020/21 budget.
4. A revised basic financial management framework was agreed by the Covid-19 Corporate Incident Management Team on 19 March 2020. These new temporary measures are to protect the council's position while awaiting greater clarity as to the impact of the public health emergency on our financial sustainability and the extent of any government support.
5. These measures can be cited as only revenue or capital expenditure which supports the council's response to Covid-19 can now be incurred (until further notice) unless:
 - a. it honours a pre-existing contractual commitment.
 - b. the expenditure is directly (as opposed to incidentally) supporting;
 - safeguarding services to vulnerable members of our community.
 - the delivery of those services which the Council has decided to continue to provide to its community during this period.
 - services or projects transparently being funded by a source external to the Council (such as grant funded).
 - exceptions agreed by the Corporate Incident Management Team (CIMT).
6. In addition, a council wide vacancy freeze has been implemented, with agreement to any exceptions delegated to the relevant corporate director in consultation with the Head of Human Resources.

7. All Covid-19 financial commitments in either 2019/20 or 2020/21 are being captured separately to facilitate the council's budget monitoring processes and regular returns which the council is required to make to government.
8. Cabinet at its meeting on the 18 March 2020 requested a fundamental review of the 2020/21 budget in response to the impact on the council's finances of the coronavirus and the costs likely to be incurred in support of the most vulnerable within our community.
9. The review is a high-level assessment of the key impacts on the council's expenditure and income streams based on three scenarios for the disruption period of 16 weeks, 24 weeks and 52 weeks.

2019/20 Financial Outturn

10. The process of closing the 2019/20 accounts is still in progress with the statutory deadline for their completion extended due to the Covid-19 outbreak. The council's draft accounts are to be presented to the external auditors by the end of August (previously end of May) with the audit to be completed and accounts signed off by the end of November. Reporting of the summary outturn position to Cabinet has been deferred from the June meeting to July in line with a revised internal timetable.
11. Based on its 2019/20 £272 million net budget before the contingency the council was estimating to have an overspend of £5.3 million by the 31 March 2020. This position was to be mitigated by using the £2.6 million in-year base budget contingency and applying £2.7 million of the financial resilience earmarked reserve which had been specifically established to support the high level of uncertainty in the first year of the new council. This approach left unearmarked reserves intact at £15.4m.
12. The council will have incurred additional budget pressures in March due to lost income and increased costs as a result of Covid-19. It is anticipated that any such costs will be covered by the ongoing review of balance sheet items brought forward from the legacy authorities alongside the conclusion of the workstream to disaggregate the balance sheet of Dorset County Council. That said, once the final 2019/20 position is known the council will need to consider the extent to which the emergency Covid-19 funding allocated for 2020/21 should be brought forward to cover earlier costs. At present the council intends to use the grant to meet the significant costs that will be incurred in 2020/21 as a result of the outbreak.

Covid-19 Emergency Government Funding

13. The government's initial Covid-19 emergency fund for BCP of £11.1 million was allocated to support additional costs and to contribute towards lost income. Funding for additional costs is provided particularly for:
 - Meeting increased demand for adult social care and enabling us to provide additional support to social care providers. The Clinical Commissioning Group (CCG) will separately be funding the additional costs of discharging and keeping people out of hospital, including social care costs (commissioned by the local authority).
 - Meeting the cost of extra demand and higher business-as-usual costs of providing children's social care.
 - Providing additional support for the homeless and rough sleepers, including where self-isolation is needed.

- Supporting those at higher risk of severe illness from Covid-19, who were asked to self-isolate in their homes for the duration of the pandemic.
14. **Appendix 1** provides a summary of the 15 April return to government to show how funding was initially allocated to support services. The major proportion was earmarked for cost pressures in adult social care (61%), largely to support care market pressures. Other main areas of additional spend include within housing services (11%) to reduce homelessness during the outbreak and children's social care (9%) to allow for additional placements and savings that are unlikely now to be delivered as budgeted. A further £1 million (9%) was earmarked to support the anticipated significant loss of income (notionally allocated to transport for reduced car parking income).
 15. The costs of the council's response to support vulnerable residents in the community are largely met from within existing resources by the redeployment of existing staff from their normal roles, with this not captured through the return.
 16. Since the initial work and submission of the April return, the government on the 18 April announced a further allocation from the emergency fund with BCP due to receive a further £10.9 million bringing the **total Covid-19 funding to £22 million**.
 17. The two allocations have been distributed based on a different formula. The majority of the first grant payment was based on the Adult Social Care Relative Needs Formula. The second was based on population with a 65:35 Upper to Lower local authority weighting. This second approach gave greater recognition to the impact the loss of fees and charges income is having on district councils.

2020/21 Budget Impact Scenario Planning.

18. The Council set a balanced budget for 2020/21, with a net budget requirement of £283m that was predicated on delivering corporate savings of £9.4m.
19. Three different outcomes have been considered dependent on the length of the lockdown and the recovery period.
 - **16-week impact** - it has been assumed the impact lasts until the end of July 2020.
 - **24-week impact** - the coronavirus has a complete impact on the activity of the council and its community until the end of August with the impact in September being 50% of that experienced in the months between April and the end of August. This averages out to a 24-week period.
 - **52-week impact** - the impact of the emergency lasts for the whole of 2020/21
20. The 24-week scenario has particular significance to the council as a coastal community reliant on the economic contribution from tourism to finance the services it has budgeted to provide. This scenario means most of the positive impact from the 2020 summer months is lost to the council.
21. Set against our £283 million net budget for 2020/21 and gross of the £22 million grant, we estimate in May **for a 24-week disruption period**, to have a £53.3 million pressure
22. Included in the forecast net pressures is significant income loss to the council with this likely to be of greater severity than the additional costs as summarised in the table below:

	£'m	Notes
Lost Income:	23.9	Car parking and other commercial income
Council Tax and Business Rates Income	11.9	Council Tax and Business Rate reduced income
Additional Expenditure	14.5	Adults & Children's social care buying more places at a higher price, PPE, chilled storage for excess deaths, homelessness and staffing costs
Transformation, other efficiencies and savings not achieved.	3.0	Management and change capacity has been refocused on responding to the Covid-19 crisis.
Total	53.3	

Summary 2020/21 forecast budget impact by service area

23. The review has been based on numerous key assumptions that, although they have been informed by the best available information including government announcements, will ultimately be primarily based on professional judgements. It should though be emphasised that the financial assessment of the impact of Covid-19 is constantly being updated as we gain additional experience as to how it is impacting on the council and our community.
24. **Appendix 2** includes the detail of the estimated impact across services forecast as at May 2020. **Appendix 3** provides the forecast budget impact for each scenario summarised in appendix 2 compared with the annual budget agreed at Council in February 2020.
25. A summary of the updated estimates of net budget pressures for the May 2020 return to MHCLG is in the following table:

Previous 24 week at April £m	Service Area / Scenario	Latest Estimate - May		
		16 week £m	24 week £m	52 week £m
8.5	Adults & Public Health	5.8	9.4	18.0
1.8	Children	1.4	1.8	3.9
5.7	Environment & Community	3.5	4.9	9.1
19.1	Regeneration & Economy	15.4	21.8	36.4
1.2	Resources	0.9	1.4	2.5
3.3	Investments	1.3	2.1	4.3
11.9	Funding - Council Tax/ NDR	7.4	11.9	22.5
51.5	Total	35.7	53.3	96.7
(11.1)	Emergency Funding	(22.0)	(22.0)	(22.0)

40.4	Net Budget Pressures	13.7	31.3	74.7
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26. The assessment of the additional pressures has grown since the April return, including for the 24- week period. That said, the second allocation of emergency funding has significantly improved the overall financial position, but a £31.3 million forecast funding gap remains.

Adult Social Care (comparator £111.1 million net budget)

27. Adult social care costs in the main reflect additional expenditure, largely to support the care market and additional internal staff costs. The increase from the April return is due to greater anticipated staff overtime and the expected loss of savings from delayed transformation in services.

Children's Services (comparator £61.9 million net budget)

28. The pressures in children's services in the main reflects an anticipated increase in social care placements, with the cost of placement breakdowns during this period linked to the impact of carers needing or wanting to be shielded and cost pressures from the market. The May estimate includes new allocations agreed for the early years sector where settings have remained open and they are accepting new children of key workers or those that are vulnerable. The cost of these new allocations during April have been offset by a revised estimate for additional placement costs.

Environment and Community (comparator £51.6 million net budget)

29. Environment and Community has significant additional costs in providing accommodation to a greater number of otherwise homeless people during the pandemic. There are also increased costs for the bereavement service, including for new arrangements to manage excess deaths. The directorate is also suffering loss of income from traded waste services, highways works and concessions and catering in parks. The reduced pressure from the April forecast is largely due to the waste service now that collection rounds have started to return to normal sooner than expected.

Regeneration and Economy Service (comparator £6.7 million net budget)

30. Regeneration and Economy are currently impacted by a significant loss of income with this certain to continue throughout any period of lockdown and phased return to normal. Longer term impact is also likely, particularly for carparking income as more people will have embraced on-line shopping, different leisure activities and home working. Seafront income is also expected to be significantly lower in 2020/21 including the current loss of casual beach hut rentals. However, this demand is expected to recover in normal times. There is also expected to be reduced income from work done to support the capital programme.

Resources (comparator £33.0 million net budget)

31. The resources directorate is undertaking significant extra work within the revenue and benefits service. Staff have been working extra hours to implement several government-funded schemes as a result of the pandemic. Some council staff have been redeployed to support this effort. It has been assumed that any extra costs will be covered by new burden funding announced by the government although individual local authority amounts are not yet known. Income losses are expected from the

registrars service from cancelled weddings and from legal services due to reduced land charges as the house market stagnates.

Corporate Items (comparator £18.9 million net budget)

32. Income from investments is expected to reduce from both the retail and business sectors with a longer-term impact highly likely.

Council Tax / National Non Domestic Rates impact assumptions

33. The councils act of collecting council tax and business rates is in the capacity as an agent for the preceptors. This means that a separate account is held by the council which each year passes across to the preceptors the amounts they formally requested as part of their approved budget proposals. Any variances between the amount paid across and the actual amounts collected from taxpayers in the year are then held as a surplus/deficit on the account and distributed or addressed as part of the following years budget (on the basis of an estimated outcome position predicted in the December of each year).
34. Therefore, putting aside any cash flow issues, as the legislation stands any impact on council tax or business rates income because of the coronavirus outbreak will be an impact on the 2021/22 budget. That said, it is considered good financial practice to address these issues in the current year and avoid having the impact on 2020/21 and 2021/22 both having to be addressed as part of next year's budget setting process. The assumptions used are described in the following paragraphs.

Council Tax (comparator £218 million budgeted income)

35. Impact of 5% reduction in the annual yield creating a deficit on a cash flow basis which will need to be settled next year. The 52-week scenario is then profiled to 16 weeks and 24 weeks. In addition, provision has been made for an assumed increase in the bad debt requirement with provision being made of 1% / 1.5% / 2% in respect of the 16 / 24 / 52-week scenarios.

Business Rates (comparator £58 million budgeted income)

36. Based on a £58.102 million 2020/21 budget and a £50.781 million safety net set by the government (below which the council's annual business rates income cannot fall), the worst-case scenario would be the £7.3 million difference.
37. For the 16-week scenario it has been assumed that the impact will be 25% of the worst case (£1.830 million).
38. The 24-week scenario assumes 50% of the worst case (£3.661 million).

Financial Strategy to mitigate the impact of Covid19 on the 2020/21 Budget and Medium Term Financial Plan (MTFP).

39. On the basis that the government Covid-19 funding announced to-date does not cover the combination of forecast lost income and extra costs it has been assumed, as a matter of prudence, that sufficient resource will not be forthcoming and that the balance will remain as a significant pressure.
40. The council has therefore produced the following financial strategy to mitigate the estimated pressure of a £31 million deficit based on a 24-week scenario. On an assumption of no further emergency funding allocations to BCP Council it is

recommended that we develop a mitigation strategy based on this amount. It is also suggested that the final June costed strategy should operate within a range of plus or minus 10% on this figure to determine its adequacy.

41. The detail of this strategy will need to be confirmed over the following month with a view to it supporting a formal rebase of the 2020/21 budget as part of the June Cabinet report and subsequent July Council meeting. The principle elements of the mitigation strategy are detailed in the following sections of this report, however, they can be summarised as principally a robust process designed to encourage transformation and to reduce the cost base of the authority.
42. Each heading has also been RAG (Red, Amber, Green) rated as to the likelihood of providing a positive contribution towards the financial challenge.

Government lobbying

RAG

43. The council will continue to lobby government on a range of issues in support of our financial position. Matters being raised include:
 - a. Encouraging the government to continue to meet the commitment from Robert Jenrick the Secretary of State for Housing, Communities and Local Government that councils will get all the resources they will need to cope with this pandemic.
 - b. Providing certainty regarding the financial parameters that councils should be using to plan for 2021/22. This is in the absence of a spending review which would normally set out the framework for financial planning purposes.
 - c. Provide a solution to the long-term funding of Adult Social Care which has now been promised by successive Governments and which is now critical due to the likely additional future pressure that will be asserted post Covid-19 on the council and adult social care sector.
 - d. In respect of providing the funding for the council's transformation programme.
 - i. Requesting an extension of the flexible use of capital receipts beyond the current time period to enable assets sold after the 31 March 2022 to also be utilised.
 - ii. Continuing the dialogue regarding the council's request for a capitalisation direction which would enable the council to borrow to finance/fund the revenue costs associated with the programme.
 - e. Requesting that the Department for Education (DfE) fund the high needs deficit inherited by BCP council as this has arisen largely from government policy changes since 2014. The Council is having to set aside £10.5 million to act as a counterweight to this debt which it would otherwise be investing in its transformation programme.
 - f. In respect of the Housing Revenue Account (HRA), the council continues to request the government extend the time frame over which it is required to have spent retained right to buy receipts before they must be repaid. An example of this is the work planned in quarter 1 of 2020/21 on the Herbert Avenue redevelopment. The intention had been to spend £2.3 million to deliver 24 units of temporary accommodation based on a factory built modular construction with on-site work compressed into an 18-week period. Current lockdown arrangements have delayed the outcome of the local planning application process delaying completion of the final legal work associated with the formal contract and therefore preventing on-site work starting. Another example is the £0.75 million the council intended to spend

buying back certain leaseholder flats connected to the Poole old town tower blocks refurbishment. These buybacks are now likely to be delayed due to leaseholders being unwilling/unable to move property at the current time, compounded by difficulties in completing the necessary legal paperwork.

Transformation

RAG

44. In November 2019 the Cabinet endorsed and adopted an organisational design and operating model with an estimated range of potential savings between £26.8 million and £43.9 million per annum, deliverable over the next four-year period. A report outlining the implementation plan and budget for the programme was scheduled to be presented to Cabinet in April 2020. This was not possible due to the Covid19 public health emergency. The cost to implement a programme of this scale is a significant investment for the Council and it was considered appropriate to wait and obtain a better understanding of potential implications before making such a long-term commitment by the Council.

During the current climate, huge strides have been made towards different ways of working. The approach is to embrace these changes and to outline what can be achieved in this regard by bringing forward a separate paper to the June Cabinet which aims to review our options through a reassessed transformation programme. The funding to support the investment required for this programme will need to be carefully balanced alongside that required in support this mitigation strategy. That said, such investment will be critical to enable the Council to become a more modern, agile organisation and in doing so support the delivery of the savings needed in support of the in-year position and the Councils Medium Term Financial Plan.

Employee Cost Base

RAG

45. Introduction of reduction in the Councils employee cost base.

Implementation of such a programme will not only provide a significant contribution to the financial challenges both in the current year and next year but will also act as a change generator in making it a necessity for services to embrace the transformation programme. As an example, a 1% saving would equate to an annual saving of £1.6 million in respect of an estimated 41 FTE posts.

46. To facilitate this process the first stage will be to consider removing vacant posts from the establishment in 2020/21 which could also benefit the council's financial position on an ongoing basis.
47. In addition, the council are in the process of applying to the Government's Job Retention Scheme in respect of employees in services that are currently not being provided to the public, are funded from fees & charges as opposed to general taxation, and the staff have not been redeployed into the community and wider Covid19 response. This includes employees in the council's companies such as Bournemouth Building and Maintenance Ltd (BBML).

Expenditure Cost Base

RAG

48. A robust review of the base budget across all services is being undertaken to determine what reductions to the 2020/21 assumed expenditure can now be made both in 2020/21 and ongoing. This work will also need to reflect the fact that;
- a. Some services have been dormant therefore expenditure should be reduced as per the three different planning scenarios.
 - b. Some activity/events will now have been cancelled or reduced which will need lower levels of expenditure to support.
 - c. The council will have choices around the level of investment it makes into certain categories of spend such as the training and maintenance expenditure.

This review should also include a fundamental review of the expenditure being incurred in direct support of Covid-19 to ensure it is kept to absolute minimum alongside assurance that partner organisations such as the Clinical Commissioning Group (CCG) are picking up costs they have been provided resources to support.

Reset Services

RAG

49. The Council will be looking to reset rather than resume business as usual activity after the lockdown restrictions end. We will not be looking to put back services the way they were before the pandemic and will instead look to understand what the changes have been in our community and how we support them. We will be looking to support any reset services with a process akin to a zero-based budget review to ensure the budget for such services is both robust and has been determined as effectively as possible.

Project Review

RAG

50. A fundamental review of all projects (revenue or capital) will need to be undertaken to determine the extent to which they can be deferred, cancelled or refinanced alongside the financial and community impact of doing so. This will need to include any previous or current revenue contributions to capital (RCCOs).

Reimagined Estates Strategy

RAG

51. National data is showing that there has been a 90% reduction of the utilisation of the property estate during lock-down accompanied by a massive increase in the use of digital connectivity and collaboration tools like skype and Microsoft Teams. It will therefore be critical at this time that the Council re-evaluates its investment in the digital estate and determines its physical estate needs moving forward. This will include a reappraisal of the planned for 2020/21 investment in each of its four major administrative centres.

Standard Accounting Practices

RAG

52. Officers of the council's finance team continue to make representation to the Chartered Institute of Public Finance and Accountancy (CIPFA) to relax various accounting requirements. Suggestions include reducing the annual provision for the repayment of debt (MRP - minimum revenue provision) below the standard 4%. The Council has budgeted to make a £9.8 million repayment in 2020/21.

Base Budget Reviews

RAG

53. A detailed review of the outstanding work programme agreed through the base budget reviews, taking place as part of the 2020/21 Budget Strategy, will be undertaken to determine the feasibility of early implementation in support of the current financial challenge.

Review of Reserves & Contingencies

RAG

54. Earmarked reserves have been set aside for specific purposes and these now need to be reconsidered in the light of the new financial environment. In addition, the adequacy of the £15.4 million of unearmarked reserves will need to be reviewed even though these are at the lower end of the recommended range and the council's financial risks have now grown.
55. As part of this review consideration will need to be given to releasing the £1.16 million base revenue budget contingency which was set aside for 2020/21.
56. While the emergency funding is certainly a step in the right direction, it goes without saying that more will be needed. Councils are seeing reduced income at a time when demand is set for a rapid rise, and this is alongside ongoing systemic funding issues that are yet to be solved. It is vital we ensure that councils can maintain services such as adult social care, as well as provision for the homeless and for those in other vulnerable groups.
57. As previously stated, a report is planned for June Cabinet to provide updated progress on the management of the financial impact of Covid-19 with recommendations for a revised 2020/21 annual budget by Council in July.

2021 to 2023 Medium Term Financial Plan (MTFP) Update

58. Alongside the reassessment of the council's budget for 2020/21 work is progressing to review the impact for the next two years. Much is not yet known about the extent of the current disruption period and whether further periods can be expected this financial year and over the MTFP period.
59. It is also difficult to estimate the financial impact on business-as-usual services this early in the pandemic as new trends have yet to be established and it is unknown how long and what form the recovery will take.
60. **Appendix 4** includes the latest MTFP which can be compared to the £17.3 million deficit identified for 2021/22 as part of the February 2020 Budget Report. This will be further updated as part of the June Cabinet report alongside the proposals for the current year budget.
61. At this stage only council tax and business rates estimates have been updated to reflect Covid-19 related estimates as further work is needed before revised service pressures and new savings proposals can be brought forward.
62. The loss of funding reflected in the MTFP increases the projected gap for 2021/22 to £31.6m. This is comprised of:
 - a. Council Tax – removing growth of £1.0m and reducing the yield by £5.1m based on the 24 week scenario of 5%. An increase in the bad debt provision of £3.4m based on the 24 week scenario of 1.5% has also been factored in. Total change £9.5m.

- b. Business Rates – removing growth of £1.1m and reducing yield by £3.7m (the 24-week scenario half way to safety net). Total change £4.8m
- c. Therefore £14.3m has been added to the existing gap of £17.3m to give £31.6m to find to balance next year.

Dedicated Schools Grant High Needs Budget

- 63. The high needs budget for 2020/21 was set with a shortfall of £6 million compared with funding available from the Dedicated Schools Grant (DSG).
- 64. Schools are to remain open for vulnerable children and those of key workers where they cannot be looked after at home. Non-state provision, such as independent special schools and early years settings are being encouraged to remain open wherever possible. Funding allocations from the DSG are to continue as normal regardless of whether a service is delivered as for other council services.
- 65. Work is progressing to establish the impact on demand for new education and health and care plans (the main budget driver) during this period whilst the majority of pupils are not attending schools. Also, under review, is whether there are any increased costs for non-state specialist providers that do remain open. The DfE are allowing state schools that are staying open and incurring additional costs to make a claim to the department directly and we will encourage any relating to high needs provision to be included.
- 66. Councillors are reminded that the council is in dialogue with the DfE in respect of its High Needs recovery plan. The first meeting on 24 April 2020 provided an opportunity to discuss the specific circumstances for the council as a result of local government reorganisation and the pattern of school provision locally. The main focus of the discussion concerned the actions currently underway within the council to address the funding shortfall.
- 67. The deficit recovery plan was shared ahead of the meeting and this was explored at length along with other initiatives being implemented successfully elsewhere. The DfE were made aware of the enormous financial risk the deficit is adding to the council with a request that additional funds should be made available by government to address.
- 68. The plan to reduce revenue expenditure includes building more places across a range of provision but with limited capital resources available. This was acknowledged but all agreed that creating more provision was only part of the solution to the annual funding deficit.
- 69. Meetings are being arranged at six monthly intervals to enable the DfE to monitor the progress of the action plan and share best practice examples as they emerge elsewhere.
- 70. The latest position as discussed with government representatives on the 24 April 2020 is set out below.

HIGH NEEDS BUDGET - DEFICIT RECOVERY PLAN



Bournemouth Borough Council	3,100
Dorset County Council - Christchurch Element	1,700
Borough of Poole	(1,200)
Brought Forward Deficit from 2018/19	3,600

In-Year Position - Provisional DSG 2019/20 2,800

Deficit Brough Forward	6,400	11,373	11,102
	2020-21 Position	2021-22 Position	2022-23 Position
Total High Needs Block Spend	52,366	48,892	46,649
Assumed Growth		723	2,406
Assumed Service Savings / Actions	(3,474)	(2,966)	(705)
TOTAL HNB SPEND	48,892	46,649	48,350
High Needs Block Funding	(42,874)	(42,874)	(45,874)
Transfer from Schools Block	(1,046)	(1,046)	(1,046)
Assumed additional HNB DfE Funding		(3,000)	(3,000)
TOTAL FUNDING AVAILABLE	(43,920)	(46,920)	(49,920)
HNB Spend less Total Funding Available Possible in-year overspend(surplus)	4,973	(270)	(1,569)
Deficit to carry over	11,373	11,102	9,533

Capital Investment Programme

71. As part of this fundamental base budget review the council has also considered the impact of the public health emergency on the councils Capital Investment Programme.
72. Initial indications are that the Council will not have to suspend/mothball works and consequently incur additional site management costs on any major schemes. It is though likely that there will be a general delay to the overall programme and the schemes within it.
73. Separate reports on this agenda set out the Councils ambition to purchase the Holes Bay site and progress with the Winter Gardens development both of which will support the council's corporate strategy which in doing so will provide a stimulus to help the recovery of the local economy.

Housing Revenue Account (HRA)

74. Alongside the review of the General Fund the council has also reviewed the position on its Housing Revenue Account which records the income and expenditure on the 9,593 council homes that it directly owns and manages. As part of this process each of the separate Poole and Bournemouth neighbourhood accounts have been assessed based on the three scenarios used within the general fund. The impact can be summarised as;

Service Area / Scenario	Latest Estimate		
	16 week £m	24 week £m	52 week £m
Net Budget Pressures	1.4	1.9	4.0

75. These pressures reflect reductions in rental income due to bad debts, additional cleaning costs, and additional costs associated with voids. That said the initial indication is that these pressures can be completely managed by reducing the 2020/21 revenue contribution to capital or reversing such contributions made in previous years. The impact on the agreed HRA capital investment programme will be detailed in June Cabinet report.

Options (Scenarios) Considered

76. The report considers the financial impact for 2020/21 within 3 scenarios. These will be kept under review and updated as government arrangements for the recovery period progress.

Summary of financial implications

77. This is a financial report with all relevant matters considered in the body of the report.

Summary of legal implications

78. In a situation where the Council is unable to balance its budget there is a statutory obligation on the Council s151 Officer to issue what is referred to as a s114 Statement. This notice basically prohibits the council from incurring further expenditure while it goes through the process of working out its options although it must continue to provide statutory services during this period. Historically such measures are rare with the last statement issued by Northamptonshire County Council in 2018.

79. The view being taken is that such drastic action is not necessary as councillors and officers will be able to work together and as part of the June report to Cabinet and July report to Council make the necessary difficult decisions to ensure the Council can balance its budget for 2020/21.

Summary of human resources implications

80. Mitigation actions to recover losses from the outbreak include a vacancy freeze for all but essential posts from the start of the financial year. Other actions to deliver new savings are likely to include further consideration of staffing levels. The period of home working for many office-based employees is likely to result in some permanent changes in ways of working and improved efficiency that has not yet been captured in financial modelling.

Summary of sustainability impact

81. These is no impact on sustainability from the recommendations in this report.

Summary of public health implications

82. There are no public health and wellbeing implications requiring consideration.

Summary of equality implications

83. Services will need to consider equalities issues in the development of any individual future budget proposals in accordance with the council's Equalities Policy.

Summary of risk assessment

84. There is significant uncertainty in the length and depth of impact from the Covid 19 emergency. Three scenarios have been illustrated for the impact on the budget for 2020/21 with assumptions made for the recovery period. The MTFP impact will be modelled on the 24-week disruption period. However, the funding gap shown for each year is likely to increase as the recovery period lengthens.

Background papers

85. 2020/21 Budget and MTFP report to February 2020 Council

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MIId=3726&Ver=4>

Appendices

86. April 2020 return to MHCLG of the early initial assessment of the financial impact of the Covid 19 outbreak.
87. Summary for May of the financial impact on the 2020/21 budget by service area for 3 different scenarios according to assumed periods of disruption – 16 weeks to end of July, 24 weeks to mid-September or 52 weeks.
88. Forecast 2020/21 outturn compared with the budget set in February 2020 for the scenarios included in Appendix 2.
89. Updated first draft MTFP for the periods 2021 to 2023 reflecting anticipated reduced income from council tax and business rates only at this stage.