


Report subject	<b>2019/20 Financial Outturn Report</b>
Meeting date	29 July 2020
Status	Public Report
Executive summary	<p>This report provides details of the final financial outturn for the revenue account, capital programme, reserves and the housing revenue account (HRA) for the financial year 2019/20.</p> <p>The general fund revenue outturn is a surplus of £0.2 million for the year. Consequentially this means that the council has successfully delivered the outturn within the financial parameters of the original 2019/20 Budget set by the Shadow Authority and without drawing down on the financial resilience reserves set aside to manage the high level of uncertainty in the first year of the new council.</p> <p>This is an improved position compared with the anticipated overspend leading to a draw on reserves of £2.7 million predicted at quarter three. The improved position overall is generally from work concluded in the final quarter to establish the opening balance sheet of BCP Council including the position in relation to inherited debt. The finally agreed position, coupled with a full review of all legacy council balance sheet items, has generated £3 million of favourable one-off variances to balance the annual position.</p> <p>The financial cost of the Covid-19 public health emergency has been significant in the final quarter with an estimated £3.5 million impact from lost revenue, particularly from carparking, and in reflecting the longer-term concerns for the local economy. Other net favourable variances within directorate services have largely offset these pressures.</p> <p>It is proposed the surplus for the year in added to the financial resilience reserve.</p>
Recommendations	<p><b>It is RECOMMENDED that Cabinet:</b></p> <p><b>(a) Note the year-end financial outturn positions achieved including revenue, capital, reserves and for the HRA.</b></p> <p><b>(b) Agree the capital virements in paragraph 84.</b></p> <p><b>It is RECOMMENDED that Cabinet recommend to Council:</b></p> <p><b>(a) Agree the capital virements in paragraph 85</b></p>

Reason for recommendations	<p>To comply with accounting codes of practice and best practice which requires councils to report their end of year financial position compared with the budget of the authority.</p> <p>To facilitate the implementation of a strong and active culture of financial management within the council by identifying when prompt management action is needed to avoid an adverse impact on future service delivery or the achievement of future corporate objectives.</p>
Portfolio Holder(s):	Cllr. David Brown: Portfolio Holder for Finance
Corporate Director	Julian Osgathorpe: Corporate Director of Resources
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Wards	Council-wide
Classification	For Decision

## Background

1. This outturn report is later in the year than usual due to the disruption from Covid-19, with the government revising the timetable for the external audit and deferring to the end of November the deadline for the publication of the final 2019/20 financial statements.
2. Cabinet in June, ahead of the normal budget monitoring timetable and before the outturn work had been completed, received the first budget monitoring report for 2020/21 focussed on the estimated financial impact of the pandemic and proposed mitigation strategy. The next budget monitoring report is planned for the autumn. Given this timescale, this report also includes virements for Cabinet and Council approval relating to the capital programme for 2020/21.

## Revenue Outturn 2019/20

3. The final outturn is a surplus of £0.2 million which means that the council has successfully delivered the outturn within the financial parameters of the original 2019/20 Budget set by the Shadow Authority (£274 million net budget) and without drawing down on the financial resilience reserves set aside to manage the high level of uncertainty in the first year of the new council.
4. The surplus will be added to the financial resilience reserve. This compares with the previously projected position of using £2.7 million of earmarked financial resilience reserves in addition to the contingency to balance the budget. This represents compared with the quarter three position an improvement of £2.9 million.
5. Directorate budgets at outturn overall are £5.1 million overspent (compared with a projection of £4.8 million at quarter three). The improvement in the overall position is largely due to favourable movements in central items as a result of finalising and undertaking a full review of the four legacy balance sheets.

6. In normal times there can be significant changes in budget variances over the final quarter and particularly in the larger demand-led services. This has been compounded in 2019/20 by this being the first year of the new council and the need to establish consistency in accounting policies and practice as well as the impact of the pandemic at the end of the year.
7. Although the lockdown occurred very late in the financial year, the impact in 2019/20 has still been significant. The emergency funding received (£22 million as at June 2020) has all been allocated to the financial year 2020/21 to support the significant additional expenditure and projected loss of income from the major period of the pandemic and recovery. Extra costs due to the pandemic have been captured separately and together with estimates for loss of income the overall financial impact in 2019/20 is estimated at £3.5 million across all services. Net favourable budget movements across other service areas have largely compensated.
8. Regeneration and economy directorate budgets were those most impacted by the pandemic with it making a significant contribution to the overall directorate overspend of £4.6 million for the year. Lost carparking revenue of £1 million is a direct result of the lockdown with further losses of £2 million allowed for the expected longer-term impact in the local economy.
9. The adult social care (ASC) budget position improved by £1.8 million over the final quarter to an overall surplus for the year of £0.9 million, after the use of £2 million of earmarked reserves as already planned at quarter three. This final position is despite the need to absorb £0.5 million of extra costs from the pandemic to support the care market with an uplift on care costs from the middle of March, as recommended by government. There were other net favourable budget movements across ASC services in the final quarter to improve the position overall, including from year-end adjustments to account for the increase in deferred income of £0.8 million and employee savings from delayed recruitment and general service savings of £1 million.
10. The children's services outturn in total is as predicted at the end of quarter three with the additional benefit of public health funding reducing the overspend overall by £0.5 million to £2.5 million. The outturn reflects the rising numbers and costs for looked after children which is overspent by £2 million and additional costs of school transport of £1.2 million. Staff costs are above budget by £1 million largely to enable faster progress to be made in improving services. Savings from budget management across the service have partially offset these pressures in-year with those that are expected to be on-going reflected in the 2020/21 budget.
11. Environment and community directorate at outturn has the smallest budget variance with an overspend of £0.4 million for the year, a small improvement on the quarter three position. There are significant annual budget variances within individual services. These include overspending in the bereavement service as identified from the start of the year and additional income and grants within housing to support expenditure not previously projected at quarter three.
12. Resources directorate outturn has improved significantly with a budget surplus at outturn of £1.5 million primarily due to the release of the bad debt provision no longer needed for housing benefit overpayments of £0.8 million. This adjustment has aligned policies across BCP and taken account of the lower level of outstanding debt.
13. In central budgets outside the service directorates, net favourable movements over the final quarter emerged to achieve the small surplus overall. In quarter four

agreement was reached with Dorset Council on the final balance sheet amounts to transfer to BCP from legacy Dorset County Council for the share of assets and liabilities attributable to Christchurch residents. The subsequent review of all opening balances from the four legacy councils, undertaken as requested by councillors through the base budget review process, has enabled £1.3 million of balances no longer needed to be released to the revenue account. In finalising the inherited debt position £2 million of savings were achieved from debt repayments (minimum revenue provision) and lower interest costs, due to prudent budget assumptions.

14. The table below sets out a summary statement of variances for the 2019/20 financial year.

**Figure 1: General Fund – Summary – Outturn as at 31 March 2020**

<b>December Variances £000s</b>		<b>Approved Resources £000s</b>	<b>Outturn (net) £000s</b>	<b>Outturn Variance £000s</b>
	<b><i>Service Budgets</i></b>			
960*	Adult Social Care & Public Health	108,377	107,508	(868)
2,540*	Children's Services	60,543	63,053	2,510
330	Regeneration & Economy	5,235	9,815	4,580
700	Environmental & Community	49,141	49,575	435
272	Resources	31,023	29,502	(1,521)
<b>4,802</b>	<b>Total Service Position</b>	<b>254,319</b>	<b>259,454</b>	<b>5,136</b>
	<b><i>Corporate Budgets</i></b>			
558	Investment Property Income	(5,507)	(4,829)	678
0	Pensions ( <i>back funding</i> )	9,428	9,428	0
0	Repayment of debt (MRP)	9,274	8,456	(818)
0	Interest on borrowings	2,864	1,656	(1,207)
(110)	Investment Income	(185)	(412)	(227)
0	Revenue Contribution to Capital	2,244	2,244	0
0	Other Corporate Items	(727)	(1,754)	(1,026)
<b>448</b>	<b>Total Corporate Budgets</b>	<b>17,390</b>	<b>14,790</b>	<b>(2,601)</b>
<b>5,250</b>	<b>Total Budget excluding Contingency</b>	<b>271,709</b>	<b>274,244</b>	<b>2,535</b>
(2,536)	<b>Use of Contingency</b>	2,438	42	(2,396)
(2,714)	<b>Use of Resilience Reserves</b>	0	175	175
<b>0</b>	<b>Net Budget</b>	<b>274,147</b>	<b>274,462</b>	<b>315</b>
	<b><i>Funding Budgets</i></b>			
0	Council Tax Income	(209,612)	(209,612)	0
0	Parishes / Town Precepts	(545)	(545)	0
0	New Homes Bonus	(3,788)	(3,788)	0
0	Revenue Support Grant	(2,957)	(2,957)	0
0	NNDR Net Income	(47,408)	(47,537)	(129)
0	NNDR 31 Grants	(9,637)	(9,822)	(185)
0	Surplus on the Collection Fund	(200)	(200)	0
<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>

\*ASC and children's services adjusted between directorates for reallocation of the public health surplus.

15. In addition to the impact of the pandemic, year-end accounting adjustments in 2019/20 have led to budget variances being greater than in a normal year as fully aligned accounting treatments and policies have been established across all areas. This includes, for example, ensuring consistency in the timing of income recognition, the level of bad debt provisions and reassessment of historic balances, with a mixed impact across services.
16. Summary text explaining the outturn 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 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: Outturn £0.9 million underspend**

17. The projected overspend at quarter three approaching £1 million has at outturn moved to £0.9 million underspend after the planned use of £2 million of earmarked reserves.
18. The outturn budget position shows an overall spend before the application of reserves to be above the annual budget by £1.1 million. The earmarked reserves applied include ASC specific grants brought forward from earlier years together with other amounts set aside for specific purposes. These include to support carers and for the one-off start-up costs for the new care home (Figbury Lodge) which opened during the year. Reserves have also been used to support above budget spend on care costs (after client contributions and allowing for deferred payments), including the extra costs as a result of the pandemic.
19. The movement to a net underspend is largely due to careful management of expenditure, including the impact of the vacancy freeze and commissioning activities put on hold. Additional contributions from services users and health were received and the delayed government guidance for liberty protection safeguards (LPS) meant service activity was reduced in this area.
20. A summary of the main movements over the final quarter are as follows:
  - a. £0.8million additional income from service users' weekly contributions and deferred payment agreements.
  - b. £0.6 million various savings due to government delayed guidance on changes for LPS, commissioning activities put on hold in preparation for new service model, managed running costs, and additional contributions from Health.
  - c. £0.4 million additional savings in employees cost following vacancy management in view of the quarter 3 estimated net pressures.
  - d. £0.4 million reduced pressures in demand and cost of packages of care mainly for people with learning disabilities
  - e. £0.45 million additional costs due to Covid-19 in supporting the market as required by central government and other miscellaneous expenditure in the final two weeks of the financial year due to the pandemic.

21. The Joint Public Health Board approved the return of £0.5 million to BCP Council from the pan-Dorset public health service reserves, to support non-recurrent spend in line with the public health grant conditions. The reserve comprises previously unspent ring-fenced grant and has been applied to early help services within children's services as noted below.

#### **Children's Services Directorate: Outturn £2.5 million overspend**

22. The overspend at outturn of £2.5 million is as expected at quarter three (as adjusted to reflect the allocation of public health grant as noted above). Demand increased further for children in care in the final quarter, but savings, efficiencies and additional income has largely offset. The 2020/21 budget has made provision for additional demand from children's services.
23. The annual pressure for children in care is £2 million. The pressure increased from the quarter three position by £0.5 million, reflecting a higher number of placements as well as moves to higher cost provision due to increased complexity of needs.
24. Overall school transport is overspent by £1.3 million. The overspend for special educational need (SEN) transport of £1 million has reduced slightly compared with the quarter three position. This pressure is linked with the growing caseload of children with education, health and care plans (EHCPs) funded by the high needs block of the ring-fenced dedicated schools grant. This reduction in the final quarter has been offset with increased costs since quarter three for mainstream home to school transport.
25. There are significant pressures within staffing budgets as reported at quarter three and these are largely unchanged. These include one off pressures within business support of £0.2 million and lost savings from other staff due to restructuring delay from September to January of £0.2 million. Pressures also continued as previously forecast in the children's front door social work teams of £0.4 million and interim management of £0.3 million, the latter providing additional support across the directorate to make faster progress with service transformation.
26. The above pressures are offset by savings within the child health and disability team (CHAD) from a lower caseload (£0.5 million), and miscellaneous savings (£0.9 million) including income from grants and traded activities. In addition, a surplus returned from the pan-Dorset public health service and in-year savings of grant (£0.5 million) has been allocated to support costs within early help services which align with the purposes of the ring-fenced grant.

#### **Regeneration and Economy Directorate: Outturn £4.6 million overspend**

27. The Directorate outturn is a £4.6 million pressure, compared with the quarter three projection of £0.3 million, an increase of £4.3 million.
28. Some pressures are as reported at quarter three, including for concessionary fares of £0.4 million, street lighting of £0.3 million and from trading within cultural attractions of £0.2 million. Savings projected at that time have also been realised from bus subsidies (£0.1 million) and from establishing consistency across BCP in the allocation and use of CIL administrative receipts and the funding of local development plans (0.3 million).
29. However, the impact of Covid-19 in this directorate is significant despite being for only two weeks of the year:

- a. £1 million annual deficit on carparking with a swing in quarter four of £1.2 million from the £0.2 million surplus projected at quarter three as income suffered in the final weeks of March. This is also impacting significantly in 2020/21 as reported in the June cabinet report.
  - b. £2.1 million from reduced trading and the requirement to review the bad debt provision.
  - c. £0.1 million within catering outlets from stock write offs from the extended period of closure as well as implementation of the policy to carry forward only the cost of significant items.
30. The end of year review of legacy issues has identified budget pressures in establishing consistent income recognition policies:
- a. £0.3 million from historic development monies received within legacy councils but where commitments still exist
  - b. £0.1 million from donations given for specific purposes within destination and culture
  - c. £0.3 million from a review of outstanding insurance claims.
31. Some previously reported pressures have been mitigated during quarter four as follows:
- a. The overspend for Christchurch leisure centre (Two Riversmeet) of £0.1 million has improved and been offset by savings in other leisure centre contracts. This follows continual analysis of the leisure centre operation to ensure ongoing improvements are being implemented where practical as soon as possible. The pandemic has halted these improvements and significant pressures are currently being experienced in 2020/21 within leisure services due to the closure of sites.
  - b. Development services incurred redundancy costs due to staff changes at the start of the year contributing a pressure of £0.1 million. New one-off in-year funding for two existing posts has largely covered the pressure.

**Environment and Community Directorate: Outturn £0.4 million overspend**

32. Overall the outturn for the directorate improved by £0.3 million over quarter four with the budget for the year overspent by £0.4 million (less than 1%), The pandemic had a relatively small impact to the end of March but there are significant variances for other reasons within individual service areas as described below.
33. Environment services outturn is a £1.9 million overspend compared with £0.7 million projected at quarter three.
34. The bereavement service has been predicting since the first quarter a significant income shortfall from the £5 million annual budget for the Bournemouth and Poole crematoriums. The outturn deficit is £0.6 million, despite the budget reduction since the previous year of £0.35 million. Income is reducing due to the opening of a new private crematorium just outside the BCP conurbation. The small increased variance at outturn includes the reassessment of the bad debt provision.
35. The parks, grounds maintenance and greenspace service overspent by £0.2m as projected at quarter three due to income shortfalls from concessions and chargeable services. There is a phased improvement in income for these areas planned, but likely to be impacted by Covid-19 in the short term. An additional pressure in quarter four has arisen of £0.1million due to winter storms.

36. In waste and cleansing services, previously reported variances have continued for the household waste overspend with this balanced out by additional green waste income and savings from the Dorset Waste Partnership. There is an outturn overspend of £0.1 million from tonnage rates for recyclate increasing in January 2020. During the accounts closure process an inconsistency between the preceding Council's treatment of income received in advance for trade waste was identified reducing income for the year by £0.4 million with a further £0.2 million adjustment for internal charges.
37. The housing outturn is £1.3 million underspent at outturn compared with the quarter three balanced position
38. Within housing there was an expectation at quarter three for an overspend of £0.4 million related mainly to homelessness, rough sleepers and temporary accommodation. A review of government homelessness grant towards the end of the year allowed instead for £0.3 million of costs to be covered. A review of the level of bad debt provision needed for rent deposits reduced the variance further by £0.1m.
39. The housing related support budget for the Christchurch area had been anticipated to be spent in full but instead there is saving of £0.3 million. In addition, the Telecare service has performed better than expected with £0.1 million of savings. There is an underspend within this wider service of £0.1 million due to vacancies being held in the light of restructure and maternity leave as forecast at quarter three.
40. The council's temporary accommodation portfolio generated an additional surplus of £0.15 million. The planned portfolio is ahead of schedule, and was reconciled late in the year, the resulting increase in costs has been more that covered by increased rent. This additional income has been built into the budget for 2020/21.
41. The surplus income generated in neighbourhood services from garage rents following the reconciliation process (£0.3 million) and photovoltaic panels from good weather during the year (£0.3 million) has increased from the £0.4 million total anticipated at the end of quarter three.
42. Communities has a £0.15 million underspend compared with a balanced quarter three position due to savings from vacancies held in the corporate health and safety team. At quarter three these savings were offset by unbudgeted redundancy costs, which at outturn have been charged instead to the reorganisation reserve.

#### **Resources Directorate: Outturn £1.5 million underspend**

43. The directorate outturn is a net underspend of £1.5 million which has increased from the previous quarter reported position of £0.3 million overspent, an improvement of £1.8 million.
44. The largest variance at quarter three was the £0.2 million projected income deficit from the project team. Over the final quarter the team's activity supporting non-chargeable service projects has continued largely as projected.
45. The movement to a net underspend has been achieved through year end accounting adjustments to align polices as well as greater savings achieved in services. A summary of the key movements are as follows:



- a. £0.8 million release of bad debt provision for housing benefit overpayments. As part of ensuring consistent policies for BCP Council a review was carried out of the inherited provision from the legacy councils. The reducing level of debt from the implementation of the national universal credit system alongside the review has allowed a release of provision.
- b. £0.4 million from the Brexit grant to support related directorate activity.
- c. £0.3 million from the revenues and benefits service as progress has continued to consolidate activity with the Stour Valley and Poole Partnership (SVPP), which provides services to both BCP and Dorset Council, from closer working and reduced staffing.
- d. £0.2 million from expenditure on telephones, mobiles and photocopiers, with these now centralised into the ICT service to improve expenditure monitoring and realise savings through contract rationalisation. Savings achieved were not clearly visible while the budgets remained spread across services.

#### **Local Government Reorganisation: Fully funded from reserves**

- 46. During the financial year £4.3 million was spent on supporting the continuing local government reorganisation (LGR) programme. This spend is not part of the council's base budget but is funded entirely from specific reserves set aside for this purpose.
- 47. Significant areas of spend include £1.5 million on additional employee costs incurred in supporting and implementing the changes required as part of LGR, redundancy costs of £0.9 million and £0.5 million incurred on the first elections to BCP Council. This budget also funded the £0.6 million required to support the initial organisational design work after BCP Council was formed, and on which the transformation programme is based.

#### **Central Budget Area: Outturn £3.0 million underspend**

- 48. A thorough review has taken place of the balance sheet brought forward from the legacy councils. The review has been able to release £1.3 million of historic balances back into annual revenue such as creditor balances where no commitments have materialised over the year or historic balances from past events no longer required.
- 49. Treasury income for the authority is £0.2 million higher than budgeted as cash balances remained higher than expected as well as securing high interest rate products.
- 50. Investment property income is estimated to be £0.7 million under budget mainly 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.
- 51. In quarter four the council received a share of the NNDR levy surplus account of £0.2 million. This was not included in the quarter three forecast as confirmation of the amount or timing of the allocation had not yet been received from central government.
- 52. As referenced in quarter three monitoring the council was still in the process of finalising the disaggregation of Dorset County Council's balance sheet. Until this process had finished the council was unable to confirm the level of debt it was to take on and therefore the revenue impact to service it. Now this figure has been

agreed £2.0 million of savings have been achieved on interest paid on borrowing and repayment of debt, the minimum revenue provision (MRP).

53. The £0.8 million MRP saving in Figure 1 is after a transfer of funding to the transformation reserve. As part of the LGR process the MRP policies of the legacy councils of BCP were reviewed to align from April 2019 for the new authority. The outcome of the review for Poole debt, which has been agreed with the external auditors, is that the MRP contribution in 2019/20 can be reduced by £2.3 million. This MRP adjustment had previously been referenced as a potential source of funding to support the business case for the Oakdale Scheme. Subsequently, it has been repurposed as a funding source for the transformation programme as agreed at Cabinet in June and recommended to Council in July 2020.
54. Included in the underspend also is £70,000 from furloughing staff under the government scheme support for Covid-19 for the period to the end of March.
55. The Business Rates Retention (BRR) scheme was introduced in April 2013. The council can keep a proportion of business rates, as well as any growth generated, within the local area. Conversely any decline in business rates revenue levels reduces the income received by the council. The council finished the year within a levy position where higher income was achieved than originally budgeted. Due to the intricacies of the system the levy payment is accounted for in 2019/20 although it will not be settled until 2020/21. The total variance is £0.4 million which will be funded from the business rates reserves set up to manage the accounting arrangements for the levy payments.

## Reserves

56. 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.
57. **Appendix B** presents the use of the council's £53 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.
58. The appendix includes the level of reserves the council received from Dorset Council as part of the final disaggregation following local government reorganisation. These balances have been added to the 1 April 2019 actual balances column and are shown in the first instance as allocated to the legacy purpose of Dorset County Council as no decisions regarding these reserves had been made by BCP by that date.
59. The reprioritisation of reserves to fund the transformation programme was agreed at Cabinet in June for recommendation to Council in July 2020. The statement in Appendix B reflects this change in the planned use of reserves.
60. Also considered at June Cabinet was the mitigation strategy for Covid-19 pressures in 2020/21 and this included potentially reprioritising other reserves to fill the residual budget gap. The reserves are to be held for their original purpose

but are not to be drawn down until it has been agreed they are not needed. These individual reserves are held within an over-arching Covid-19 financial resilience earmarked reserve.

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

#### **Financial Resilience Reserves**

- |                   |  |
|-------------------|--|
| a) £0.2 million   | <p><b>Covid-19 Financial Resilience Reserves</b><br/>         Addition to the financial resilience reserves to balance the annual budget as shown in Figure 1 and paragraph 3 of this report. At quarter 3 it had been anticipated that £2.7 million would be needed, with approval granted by Council to draw down up to that amount.</p> |
| b) (£2.1 million) | <p><b>Financial Liability Reserve</b><br/>         Balance Sheet movement for the share of Dorset County Council disaggregated unearmarked balance to mitigate the deficit on the Dedicated Schools Grant budget</p>   |

#### **Transition and Transformation Reserves**

- |                 |  |
|-----------------|--|
| c) £2.0 million | <p><b>Transition and Transformation costs</b><br/>         Projected cost of redundancies in 2019/20 as part of the ongoing transformation of the council.</p>                         |
| d) £4.3 million | <p><b>Local Government Reorganisation</b><br/>         Drawn down to fund the overall costs in 2019/20 in relation to Local Government Reorganisation with details in paragraph 46</p> |
| e) £0.7 million | <p><b>Pay and Reward Strategy</b><br/>         Drawn down for initial two stages of work towards the pay and reward strategy</p>   |
| f) £2.4 million | <p><b>High Needs Block</b><br/>         Drawn down as budgeted by Children's Services to offset high needs pressures.</p>  |

#### **Held in Partnership for External Organisations**

- |                 |   |
|-----------------|---|
| g) £0.4 million | <p><b>Clinical Commissioning Group Emotional Wellbeing and Mental Health</b><br/>         Drawn down by Adult Services to support services in 2019/20</p> |
| h) £0.3 million | <p><b>Dorset Adult Learning</b><br/>         Drawn down by Regeneration and Economy Services to support the adult learning service.</p>                   |

#### **Required by Statute or Legislation**

- |                 |   |
|-----------------|---|
| i) £0.8 million | <p><b>Business Rates Levy Grant</b><br/>         Grant paid in 2018/29 but decided to be utilised in 2019/20 in support of the budget</p> |
| j) £0.4 million | <p><b>Business Rates Levy Payment Account</b><br/>         To offset the business rates levy cost set out in paragraph 54</p>             |

## **Government Grants**

- k) £10.6 million      **Government Grants**  
Due to accounting regulations £11.1m Covid-19 grant received in March must be shown in reserves. The remaining movements are lower than previously assumed. The most significant in relation to the use of the Troubles Families Grant.

## **Corporate Priorities & Improvements**

- l) £0.8 million      **Other Corporate Priorities & Improvements**  
Largest change due to the £395k use of the Community Housing Fund and £250k use of Figbury Lodge Transition costs.

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

62. The DSG outturn in-year deficit for 2019/20 is £1 million (£0.9 million less than the £1.9 million projected at quarter three). This is in addition to the cumulative net £3.6 million deficit brought forward from the legacy councils to give an overall accumulated deficit at 31 March 2020 of £4.6 million. A deficit recovery plan has been developed with progress in managing demand and bringing down average costs monitored closely by senior management.
63. The growing deficit is a result of unfunded pressures in high needs, with the in-year deficit for this block of expenditure at 1.9 million (quarter three projection £2.7 million). The deficit is due to a growing caseload of pupils with special educational needs as well as fee increases from independent special schools with the quarter four movements lower than previously assumed.
64. The high needs budget annual deficit was partially mitigated by prior year adjustments of £0.6 million and small underspend on the other three spending blocks of the DSG of £0.3 million.
65. A funding gap of £6 million has been identified for 2020/21. Children's Services are working with schools and other stakeholders to develop strategies to recover this position in future years.

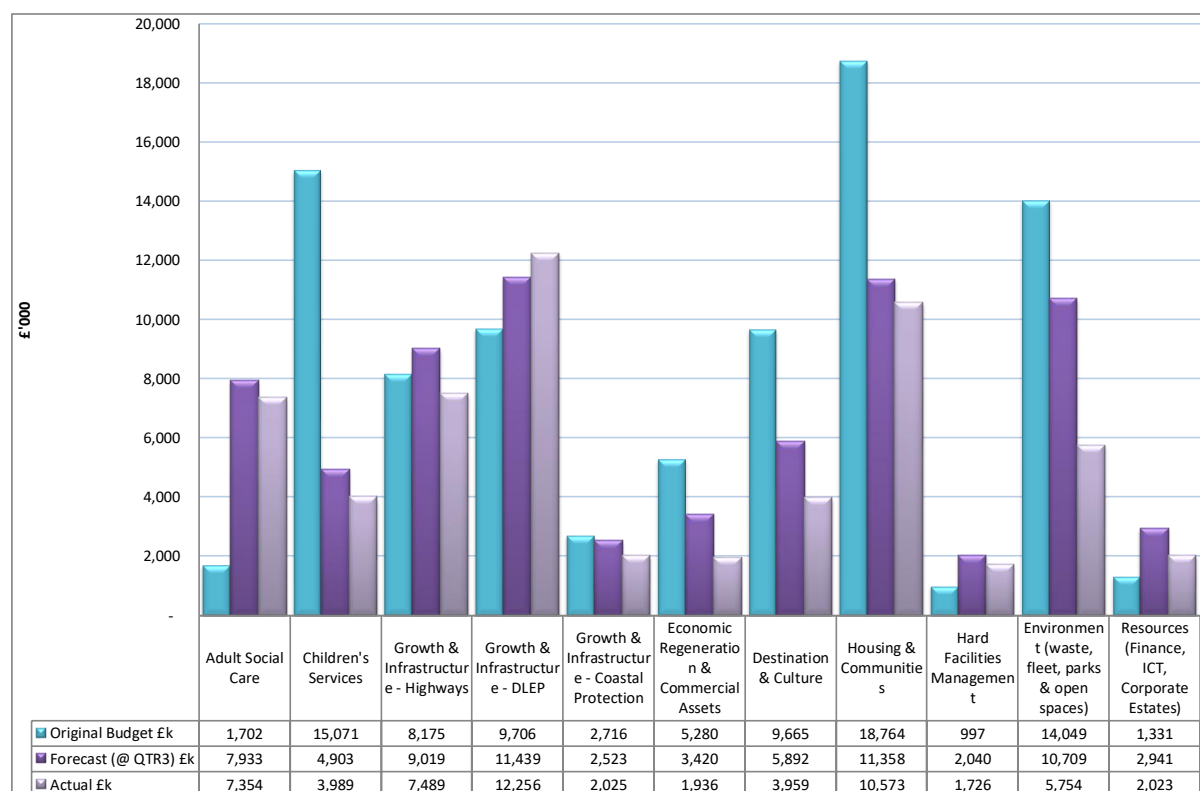
## **Capital Programme Outturn**

66. 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.
67. In February 2019 BCP Shadow Council approved a CIP budget of £87.5 million (reduced to £72.2 million at quarter three). This compares with final capital spend of £59.1 million. Delivery of the planned capital programme has been affected to some degree in quarter four by challenges posed by the outbreak of Covid-19. Unspent approved capital resource (from 2019/20) of £16.5m has been added to the CIP for 2020/21 as follows:
- £5.2 million capital resource within Environment. This consists of fleet replacement capital resource and parks and open spaces spend
  - £2.1 million on highways spend – this is predominantly local transport plan (LTP) funded highways improvement works on a number of planned highways schemes. Officers will review and, if necessary, reallocate this reprofiled resource to new highways schemes in 2020/21 that are in line with council priorities

- £2.0 million within destination & culture, including Canford Cliffs stabilisation and promenade development (now expected to arise in 2020/21) and various smaller capital schemes across the conurbation
- £1.2 million within environment & community, including £0.5 million on St Stephen's construction
- £1.5 million on regeneration schemes – including Mallard Road, Parkway House and Bournemouth International Centre (BIC) investment strategy. Planned works on these schemes are, at this stage, still planned for 2020/21 subject to discussions around the impact of Covid19.
- £0.9 million ICT investment plan spend now planned for 2020/21. This spend is in addition to that included within the council's transformation programme
- £3.4 million from various schemes across the remainder of the CIP

68. Figure 2 illustrates 2019/20 annual spend of £59.1 million by service directorate in comparison with forecast full year planned spend at quarter three of £72.2 million and original budget of £87.4 million.

**Figure 2: Capital Investment Programme Spend 2019/20**



## 2019/20 Capital Investment Programme – full year summary

### 69. Adults Social Services

- The council opened its new 60 bed residential care home, Figbury Lodge during summer 2019. In addition, the acquisition of the Fairways care home was completed during the year.

### 70. Children's Services

- Planned work on Hillbourne school was impacted by the delay in receiving Secretary of State approval for surplus school land disposal. This has now been received. In

May 2020 the council approved a new children's capital strategy for 2020/21 to 2022/23. The strategy contains a strong focus on meeting the needs of SEND children and relieving pressure on the high need block revenue budget of the dedicated schools grant.

#### **71. Growth & Infrastructure - Highways Routine & Structural Maintenance**

- The council is committed to promoting more environmentally sustainable means of travel across the conurbation and was successful in its bid for government grant funding from the transforming cities fund (TCF). The bid will generate a significant increase in capital funding for sustainable transport scheme delivery over three years from April 2020 to 2023.
- This funding will complement existing investment undertaken during the year across the conurbation on improving highways, bridges, street lighting and car parking facilities.
- In addition, government pothole capital grant of £2.9 million was allocated to BCP Council in June 2020. A further report detailing proposed utilisation of this funding will be brought to Members in due course.

#### **72. Growth & Infrastructure - Major Road Network Improvements**

- In partnership with the Dorset Local Enterprise Partnership (DLEP), £7.3 million investment in 'Big Programme' major highways improvement schemes was made in 2019/20 - 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 Summer 2020) and Wessex Fields Phase 1.1.
- Investment continued in the Townside Access to the Port of Poole programme as well as Wallisdown – Boundary Road roundabouts.
- The council continues to work closely with the DLEP to identify potential new capital projects that could benefit from partnership funding.

#### **73. Growth & Infrastructure - Coastal Protection**

- In October 2019 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 from 2020 - 2031.

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

- Focus on town centre regeneration – including major regeneration schemes in Poole town centre and Lansdowne Business District (including improving digital capability). Further investment is planned for 2020/21.

#### **75. Destination & Culture**

- The council continued 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.

## 76. Housing & Communities

- The council's new 46-unit housing development at the St Stephen's site is planned for completion in 2020/21.
- 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 is planned for 2020/21.

## 77. Hard Facilities Management

- Maintenance spend on the council's civic estate spend, restricted to urgent repair work in light of potential impact of transformation programme.

## 78. Environment

- Fleet replacement strategy - procurement is underway to acquire urgent replacement vehicles in line with approved budgets. A longer-term sustainable fleet replacement strategy will be brought to councillors in due course.

## 79. Resources

- The council has continued to invest in its ICT infrastructure to complement work planned as part of its wider transformation agenda. ICT investment made in 2019/20 has been critical in ensuring the council was able to maintain frontline services effectively throughout the lockdown period.

## Funding of the Capital Investment Programme 2019/20

80. 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 help finance the 2019/20 CIP, as summarised in Figure 3 below. Government Grant funding has been used in accordance with grant requirements. 2019/20 capital programme financing included use of funding secured from former Dorset County Council as part of disaggregation process

**Figure 3: Capital Investment Programme Funding 2019/20**

	2019/20 £'000
Government Grant	31,727
Third Party Receipts	599
s106 & Community Infrastructure Levy	1,988
<b>External Funding Contributions</b>	<b>34,314</b>
Revenue Funding for Capital	3,912
Capital Receipts	2,811
Earmarked Reserves	627
PRU Borrowing	17,421
<b>BCP Funding Requirement</b>	<b>24,771</b>
<b>Capital Investment Funding</b>	<b>59,085</b>

## Capital Budget Virements 2020/21 Capital Investment Programme

81. Appendix C provides a summary of capital schemes currently included within the CIP 2020/21. This summary reflects slippage of unspent capital budget from 2019/20, and capital budget virements either already approved or to be approved (see below) since original budget was approved in February 2020.
82. Members are reminded that the CIP will continually evolve throughout the year in response to changes in approved capital schemes and new capital grants allocated or successfully bid for.
83. In accordance with the council's Financial Regulations the following rules associated with capital virements apply (after advice from the Chief Finance Officer):
- Virements over £1 million require prior Council approval.
  - Virements over £0.5m and up to £1 million require prior Cabinet approval.
  - Corporate Directors can approve virements over £100k up to £500k.
  - Service Directors can approve virements up to £100k.
84. In accordance with the financial regulations the following virements require the **approval of Cabinet:**
- a. Service Area: Growth & Infrastructure – BiG Programme  
Purpose of Virement: **Reallocate approved budget between capital schemes**  
Value: **£0.8 million**
- Final costs for the Dorset Local Enterprise Partnership (DLEP) funded Cooper Dean capital project was £0.9 million lower than approved budget. In March 2020 the DLEP approved the repurposing of £0.8 million unutilised DLEP funding from the Cooper Dean project to the Wessex Fields capital project. In accordance with BCP Council financial regulations, Cabinet approval is sought to formally approve this budget virement.
- b. Service Area: Growth & Infrastructure – Bridge Maintenance  
Purpose of Virement: **Reallocate approved budget between capital schemes**  
Value: **£0.5 million**
- Cabinet approval is sought to allocate £0.5 million of the total £0.9 million Bridge maintenance capital budget to specific capital projects - Palmerstone Road bridge repairs (£0.4 million) and Towngate bridge repairs (£0.1 million). All works are funded from the (LTP) grant.
85. In accordance with the financial regulations the following virements require the **approval of Council:**
- a. Service Area: Growth & Infrastructure - Highways  
Purpose of Virement: **Increase Approved Capital Budget**  
Value: **£7.1 million** (£2.9 million DfT Pothole Grant and £4.2 million DfT Challenge Funding)



Approval is sought to increase the capital programme by £7.1 million. This reflects new Department for Transport (DfT) Pothole Funding Grant of £2.9 million allocated to BCP Council in May 2020. This is a new annual grant that is expected to be received in each year of the Medium-Term Financial Plan. Officers have already developed a £0.5 million programme of urgent pothole repair works for 2020/21. These include new capital works on Seaview Road, Willow Drive, Charminster Road (part) and North Road (part). Details of planned utilisation for the remainder of the grant will be brought to Members for approval in due course.

Additionally, in June 2020 the DfT confirmed that BCP Council have been awarded £4.2 million of grant funding in support of the Challenge Fund bid submitted in October 2019. The funding will facilitate a comprehensive route management scheme that will invest £4.9 million (£4.2 million DfT grant and £0.7 million local and third-party contributions) into Bournemouth, Christchurch and Poole's local highway network. This investment includes remedial works to 4.23 km of highway at six locations and also incorporates footway refurbishment and/or traffic signal refurbishment at three of these locations. Works will complement the proposed Transforming Cities Fund corridors, existing maintenance programmes and Local Transport Plan initiatives with projected completion by March 2021.

The Council is mindful of the potential impact this new grant funding will have on deliverability of the capital programme as originally planned. Members will be advised of any proposed amendments to the capital programme required in due course.

- b. Service Area: Regeneration - Lansdowne  
Purpose of Virement: **Reduce Approved Capital Budget**  
Value: **(£4.1 million)**

The Council remains committed to the regeneration of the Lansdowne Business District – investing in positive changes to the urban realm, infrastructure and cultural experience which will accelerate the impacts of investments already made in the area by others. Council approval is sought to defer Lansdowne roundabout improvement works to later phases of the programme. This will result in not drawing down £4.1 million of Dorset Local Enterprise Partnership (DLEP) funding currently earmarked to the scheme. The DLEP is supportive of this approach and remain confident the key outcomes and outputs of the original scheme will still be delivered. Councillors are asked to note the £4.1 million DLEP funding newly released from the Lansdowne programme will now be made available by DLEP to fund new capital projects across Dorset. BCP Council has submitted fresh DLEP bids for access to this funding for alternative capital projects.

- c. Service Area: Growth & Infrastructure – BiG Programme  
Purpose of Virement: **Approve DLEP grant funding for capital projects**  
Value: **£4.4 million**

The total comprises £1.6 million for Wallisdown Road – Boundary Roundabout Works, £1.3million for Blackwater Junction & A338 widening works and £1.5 million for Ferndown – Wallisdown – Poole A348 / A3049 corridors.

BCP Council has successfully secured £1.6 million DLEP funding for Wallisdown Road - boundary roundabout works. This £1.8 million scheme is in

progress and will be funded from £1.6 million DLEP grant and £0.2 million BCP funding (from LTP and other highways capital grant funding).

In April 2020 the council also secured £1.3 million additional DLEP funding for remaining Blackwater Junction & A338 widening works inherited from former Dorset County Council on 1 April 2019. Council is asked to formally accept this funding, the impact of which will significantly reduce BCP's local s106 contribution funding requirement.

Council approval is also sought to accept £1.5 million new DLEP pipeline grant funding, formally approved by DLEP in June 2020. This funding will be used to partially finance a new £3.1 million programme of highways improvement works along the Ferndown-Wallisdown-Poole (FWP) A348/A3049 corridors. The £1.5 million DLEP grant funding must be spent by 31 March 2021. BCP Council expects to use £1.56 million Department for Transport capital grant funding (either future LTP or Transforming Cities Fund grant allocations) to finance the remainder of the programme. In accordance with DLEP grant conditions, this work must be completed by 31 March 2023. A full report will be produced for Members in September / October that provides more detail on the scheme (including design, timescales, risks etc), and a full breakdown of the funding provision proposed for the scheme.

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

86. 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.
87. 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**

88. Figure 4 below presents the Bournemouth neighbourhood HRA for the period 1 April 2019 to 31 March 2020. The year-end position to 31 March 2020 is a balanced position with net variances increasing the revenue contribution to capital above budget by £658,000.
89. The increased contribution has mainly been possible due to increased income for services and facilities, and other contributions towards expenditure, along with a reduced cost for supervision and management.

**Figure 4: Bournemouth Neighbourhood Housing Revenue Account**

December Forecast Variance £000s		Approved Budget £000s	March Outturn £000s	March Outturn Variance £000s
	<b>Income</b>			
14	Dwelling Rents	(22,393)	(22,329)	64
(30)	Non-Dwelling Rents	(144)	(160)	(16)
4	Charges for Services and Facilities	(1,195)	(1,382)	(187)
(47)	Contributions towards expenditure	(582)	(767)	(185)
<b>(59)</b>	<b>Total Income</b>	<b>(24,314)</b>	<b>(24,638)</b>	<b>(324)</b>
	<b>Expenditure</b>			
23	Repairs and Maintenance	5,209	5,247	38
163	Supervision and Management	7,666	7,389	(277)
92	Rent, rates, taxes and other charges	248	251	3
0	Bad or Doubtful debts	188	193	5
(3)	Capital financing costs (debt management)	75	75	0
(411)	Depreciation Dwellings	6,885	6,929	44
78	Depreciation Non-Dwellings	100	112	12
(402)	Capital Charges (net)	2,487	2,328	(159)
556	Contribution new builds	1,456	2,114	658
<b>96</b>	<b>Total Expenditure</b>	<b>24,314</b>	<b>24,638</b>	<b>324</b>
<b>37</b>	<b>(Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Capital

90. Figure 5 below presents the monitoring position in respect of the capital programme for the Bournemouth neighbourhood account. Compared with the budget only 45 per cent of the original programme was achieved due largely to the significant delay in the new build programme identified by quarter two.
91. 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. The forecast spend was reduced by £10.3 million in quarter two to £3.0 million. The final outturn spend is £2.0 million on specific schemes with the unspent capital resource of £1.0 million reprofiled into 2020/21.
92. 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.
93. Planned maintenance was broadly in line with budget with a £0.5 million underspend.

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

<b>December Forecast Variance £000s</b>		<b>Approved Budget £000s</b>	<b>March Outturn £000s</b>	<b>March Outturn Variance £000s</b>
(13,345)	New Build & Acquisition Programme	13,345	0	(13,345)
	<b>Major Projects</b>			
925	Northbourne Day Centre	0	288	288
696	Charminster Close (garage site)	0	594	594
381	Princess Road Development	0	115	115
270	Helyar Road	0	266	266
198	Barrow Drive (garage site)	0	204	204
150	Luckham Road / Charminster Road	0	18	18
329	Various programmes under £100k	0	592	592
96	Contingency	0	0	0
<b>(10,300)</b>	<b>New Build &amp; Acquisition Programme</b>	<b>13,345</b>	<b>2,077</b>	<b>(11,268)</b>
0	Windows	1,200	359	(841)
0	Bathroom Refurbishments	950	964	14
0	Kitchen Refurbishments	850	857	7
0	Disabled Adaptions	760	542	(218)
0	External Works	750	725	(25)
0	Fire Precautions / Detectors	600	467	(133)
0	Boiler Replacements	500	614	114
0	Re-roofing	300	500	200
0	Doors	300	61	(239)
0	Bedroom Extensions	200	300	100
0	Hot Water Systems	120	126	6
0	Insulation / Energy Efficiency	100	23	(77)
0	Rewiring	100	607	507
0	Common Areas	100	69	(31)
336	Various programmes under £100,000	539	1,019	480
(350)	Contingency	350	0	(350)
0	Staff time allocated to capital projects	331	310	(21)
<b>(14)</b>	<b>Planned Maintenance Programme</b>	<b>8,050</b>	<b>7,543</b>	<b>(507)</b>
<b>(10,314)</b>	<b>Total Capital Programme</b>	<b>21,395</b>	<b>9,620</b>	<b>(11,775)</b>

## Poole Neighbourhood Account

94. The outturn position is breakeven in accordance with the local policy, with a £3.3m revenue contribution to capital in 2019/20. This compares with the budgeted contribution of £4.3 million. The difference is due to small under recovery in rents and other income of £0.15 million and shared ownership receipts from the Canford Heath project budgeted at £0.7 million instead being treated as capital. There is also within expenditure an unbudgeted transfer to HRA reserves of £0.2 million.

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

December Forecast Variance £000s		Approved Budget £000s	March Outturn £000s	March Outturn Variance £000s
	<b>Income</b>			
177	Dwelling Rents	(19,855)	(19,735)	120
0	Non-Dwelling Rents	(37)	(51)	(14)
13	Charges for Services and Facilities	(1,316)	(1,259)	57
0	Contributions towards expenditure	(52)	(51)	1
1	Other Income	(235)	(249)	(14)
0	Canford Shared Ownership Receipts	(716)		716
<b>191</b>	<b>Total Income</b>	<b>(22,211)</b>	<b>(21,345)</b>	<b>866</b>
	<b>Expenditure</b>			
0	Repairs and Maintenance	5,237	5,235	(2)
22	Supervision and Management	4,316	4,305	(11)
0	Rent, rates, taxes and other charges	158	157	(1)
0	Bad or Doubtful debts	197	131	(66)
0	Capital financing costs (debt management costs)	103	103	0
0	Depreciation Dwellings	4,882	4,914	32
(22)	Capital Charges (net)	3,020	3,046	26
(191)	Contribution to the new build	4,298	3,292	(1,006)
0	Contribution to HRA reserves	0	162	162
<b>(191)</b>	<b>Total Expenditure</b>	<b>22,211</b>	<b>21,345</b>	<b>(866)</b>
<b>0</b>	<b>(Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

95. The £0.1 million under recovery in rental income is due to delays in delivery and occupation of the Canford Heath Road scheme with some offset in the initial weeks of the year of income from Cynthia House, which was scheduled for earlier demolition. The void loss for 2019/20 was positive at 0.85 per cent against a budget of 1 per cent.

96. The greatest risk to income collection, until the pandemic, was the universal credit roll out. This has impact on the ability to collect income and consumes administrative resource. The roll out of the full service began on 11 October 2017 in Poole, with 708 residents receiving universal credit at the end of March 2020. Arrears for these tenants are rising and work continues to establish how much will be collectable. The impact is not shown within the dwelling rents received but expenditure including the provision for bad debts. The virus is an additional risk with the ability of tenants to pay their rent due to the longer-term economic impact being closely monitored. A moratorium on evictions began in March and has been extended to the end of August.
97. The £0.7 million budget for shared ownership receipts reflects the income expected from the sale of the 10 shared ownership units at the Canford Heath Scheme and in future will not be budgeted here but included in capital receipts.
98. The two significant variances are the contribution to capital (£1 million less than budgeted) and the unbudgeted contribution made to reserves of £0.2 million. The revenue contribution to capital is adjusted to reflect movements in income and expenditure across the HRA. By delivering good performance across income collection and by holding down costs across all areas in the HRA, this has maximised the surplus on the HRA and provides a significant contribution to the major repairs reserve to support the capital programme of £3.3 million. This figure is lower than budgeted largely as a result of the shared ownership receipts being reflected in Capital.
99. The approach to the HRA reserve is to standardise across both neighbourhoods at 5 per cent of expenditure, with this approved at Council in February 2020. The transfer to bring the Poole neighbourhood up to this level is £0.2 million.

### **Capital**

100. 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 £2.7 million is largely due to slippage on the Canford Heath project.
101. In September, the Council approved a £0.75 million 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 £0.45 million bringing the total budget to £18.4 million. There were no budget adjustments during quarter four.
102. The outturn compared with the revised programme is reduced spend of £8.9 million, representing 53 per cent of the annual budget. This is largely from the re-phasing of projects, the largest of which is the Herbert Avenue Modular Scheme of £2.4 million. These budgets will be carried forward into the 2020/21 programme.
103. Figure 7 below presents the monitoring position in respect of the capital programme for the Poole neighbourhood account.

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

<b>December Forecast Variance £000s</b>		<b>Revised Budget £000s</b>	<b>March Outturn £000s</b>	<b>March Outturn Variance £000s</b>
	<b>Basic Planned Maintenance</b>			
(35)	External Doors	150	91	(59)
146	Boiler Replacement Programme	612	688	76
0	Windows	500	429	(71)
(349)	Building External – All schemes	490	7	(484)
(300)	Fire Risk Remedial works	988	487	(502)
(210)	Electrical Works	400	234	(166)
99	Kitchen Replacement Programme	365	386	21
146	Building Envelope (Seddons)	306	434	129
0	Roofing	379	250	(129)
(2)	Bathrooms	218	94	(125)
78	Various programmes under £100,000	725	820	96
0	Capitalised PHP Salaries	522	522	0
	<b>Other Planned Maintenance</b>			0
0	Information Technology Capital Costs	535	450	(85)
0	Disabled Adaptions	350	277	(73)
0	Sustainability	100	146	46
0	Small Planned Maintenance projects	86	50	(36)
	<b>Major Projects</b>			
0	Canford Heath Road	3,576	2,230	(1,346)
(2,129)	Herbert Avenue	2,509	63	(2,446)
(1,590)	Tower Blocks (Old Town)	1,950	318	(1,632)
(950)	New Build in-fill	1,000	13	(987)
(590)	Sprinklers	600	17	(583)
76	Small Sites Programme	950	1,182	232
(450)	Cladding	500	14	(486)
15	Cynthia House	300	247	(53)
(133)	Hillbourne School Site	255	(8)	(263)
<b>(6,179)</b>	<b>Total</b>	<b>18,366</b>	<b>9,442</b>	<b>(8,924)</b>

#### 104. Planned Maintenance

Planned maintenance (decent homes projects) is underspent by £1.2 million. The February Council budget report for 2020/21 included the carry forward of £0.45 million due to delays in sourcing a replacement fire door and for electrical and

lighting works for re-wiring at Willow Park and Baiter Gardens as these were already projected to be incomplete by the year end. Additional carry forwards are now required including for roofing works delayed in quarter four due to the extended periods of rain and then by the lockdown. Fire doors and fire risk assessments were also due to be completed in March and delayed by the virus. The total decent homes budget to be carried forwards from 2019/20 into 2020/21 is now £0.7 million. The balance of £0.5 million comprise underspend within projects, including £0.1 million from not replacing 50 bathrooms as planned due to other priorities within voids. This underspend will go back into reserves with replacements for the next 5 years being profiled.

105. Canford Heath

This scheme has been delivered later than planned but with a saving against budget that will go into reserves.

106. Herbert Avenue

The budget has been re-phased for this scheme, with £2.38 million carried forward to 2020/21.

107. Old Town Tower Block Works

This budget is to support the major redevelopment of the 4 tower blocks in Poole Old Town and the buy- back of properties within the development. The budget setting report included carry forwards of £0.84 million in relation to the project and £0.75 million in relation to the buy backs, with the total of £1.6 million carried forward into 2020/21 as the project is re-phased.

108. New Build In-Fill

Most of this budget was carried forward from previous years. Some fees have been incurred as possible schemes have been identified and assessed with the remaining underspend going back into reserves.

109. Sprinkler Works

This budget supports the retro fit of sprinklers with £0.59 million carried forward to 2020/21 due to re-phasing of the programme. Approval to award this contract was obtained at the May 2020 Cabinet meeting.

Small Projects

110. This budget supports the acquisition of properties and is supplemented by right-to-buy resources. Properties under consideration are tested to ensure that they meet both financial and housing management priorities. This budget was significantly overspent during 2018/19 as opportunities to buy back larger properties were taken. The 2019/20 original budget was increased by £0.45 million during the year.

Sterte Court Cladding

111. The £500k budget to deliver replacement cladding at Sterte Court has been delayed with only architect's costs incurred in the financial year. The February budget setting paper included the carry forward to allow these works to progress in 2020/21.

Cynthia Works

112. This budget is to support the initial works at Cynthia House. This project has been rephased and the majority of budget will be spent in 2021/22.



## Hillbourne School Development

113. This budget will support initial works at the Hillbourne School with £0.2 million carried forward into 2020/21.

## Companies and partner organisations

114. The financial sustainability of the council could also be affected by the performance of partners and subsidiaries in which it has a financial interest. Each of these entities has their own governance framework and their own arrangements for reporting their financial and operating performance.
115. The following paragraphs contain a summary of the outturns for these partner and subsidiary organisations. It should be noted that these are provisional figures and are unapproved by the respective boards of directors and are also subject to audit.

### **Bournemouth Building & Maintenance Ltd (BBML)**

116. The trading activities of BBML consist of programmed works for the council's housing revenue account such as disabled adaptations, and building works for other council owned property.
117. Turnover for the financial year was £7.872 million in comparison to the budgeted figure of £7.154 million. While turnover exceeded the budget by £0.718 million, the provisional profit for the year is consistent with the budget at £0.260 million (budget £0.262 million). This is because some of the increased turnover relates to activities recharged to the council for zero profit, and Covid-19 related expenditure that BBML has incurred.
118. Due to the materiality level for BCP Council statement of accounts BBML will not be consolidated into BCP Council's group accounts.

### **Seascope Group Ltd**

119. Within Seascope Group Limited are two subsidiaries, Seascope South Limited and Seascope Homes and Property Limited.
120. The core activities of Seascope South Limited (SSL) are undertaking adaptations and conversions to non-council owned property. These are funded through disabled facility grants. Building maintenance and construction services are also offered.
121. Turnover for the financial year for SSL was £0.456 million compared to a budget of £0.743 million. This variance is largely due to lower than anticipated construction works which can vary year on year depending on tenders awarded. Provisional profit before tax is £36 thousand which is in line with the budget of £38 thousand, because the reduced turnover resulted in lower variable costs incurred.
122. Seascope Homes and Property Limited (SHPL) provides housing solutions through the grant of assured short-hold tenancies to a variety of clients, including the homeless. SHPL leases properties purchased by the council in order to provide this housing.
123. Turnover for the financial year for SHPL was £0.633 million which is in line with the budget of £0.622 million. Provisional profit before tax is £13 thousand which is also consistent with the budget of £14 thousand.
124. The results of the subsidiaries are combined to form the results of Seascope Group Limited (SGL). The provisional turnover for SGL was therefore £1.088 million compared to a budget of £1.365 million. Provisional profit before tax, after

the deduction of £6 thousand in operating costs for SGL, is £43 thousand and is in line with the budgeted figure.

125. Due to the materiality level for BCP Council statement of accounts Seascope Group will not be consolidated into BCP Council's group accounts.

#### **Charities**

126. The council has close links to three charities, the Five Parks Charity, Lower Central Gardens Trust and Russell-Cotes Art Gallery & Museum Charitable Trust.
127. Due to the materiality levels for the council only Lower Central Gardens Trust will be included in the Council's group accounts. Materiality is assessed with reference to the size of the asset base in the balance sheet.

#### **The Bournemouth Development Company LLP**

128. Bournemouth Development Company LLP ("BDC") is a joint venture between the Council and wholly owned subsidiary of Morgan Sindall Investments Ltd.
129. BDC is an active development partner and regeneration catalyst for the delivery of the Bournemouth Town Centre Vision.
130. BDC has a different year end to the council consequently the figures incorporated in the council's group accounts rely on an amalgamation of the pro rata amount from the joint venture's 31 December 2019 yearend figures and from the quarter 1 management account information to 31 March 2020. Figures are not available to include in this report due to differing financial reporting year.

#### **Tricuro**

131. Tricuro is a group of two companies established under local authority trading company principles to undertake a range of adult social care services on behalf of the now two local authorities in Dorset. Staff transferred from each of the local authorities to the new company with the aim of improving service provision and efficiency.
132. Tricuro is structured as a care company (Tricuro Limited) and a company providing support services (Tricuro Support Limited), with management through a joint Board. Tricuro Support Limited holds the contractual relationships with the two commissioning councils, as well as the property leases and support services agreements.
133. Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited.
134. The turnover of Tricuro in 2019-20 was £42.3 million, with £17.1 million (41%) attributable to the contract with BCP Council, £22.2 million (52%) from the contract with Dorset Council and £3 million (7%) from independent fees and charges.
135. Due to the materiality level for BCP Council statement of accounts Tricuro will not be consolidated into BCP Council's group accounts as the operating assets have remained with each council.

#### **Aspire Adoption**

136. Aspire Adoption was originally established as a partnership of three Local Authorities (Bournemouth Borough Council, Dorset County Council and the Borough of Poole) to form one of the first regional adoption agencies in England. Following LGR the partnership is now between BCP and Dorset Council.

- 137. Aspire work in partnership with Families for Children, a local voluntary adoption agency.
- 138. The purpose is to provide services for children and families through enabling and supporting the adoption and special guardianship process.
- 139. BCP contribution to the partnership is £1.2 million with Dorset Council contributing £0.9 million. Income from external interagency/Adoption Support Fund received during the year was £0.4 million. Expenditure totalled £2.5 million to give a balanced position for the year.

### **Reporting assumptions**

- 140. Budget monitoring reports as set out are produced by Finance, with monitoring information for the Poole HRA neighbourhood account being produced by Poole Housing Partnership.
- 141. Actual expenditure and income are that posted to the council's financial ledger as at 31 March 2020 and covers the period from 1 April 2019.
- 142. All significant variances have been investigated and only those items of a significant or exceptional nature are reported, along with those requiring member decisions for other reasons.

### **Consultation**

- 143. The 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**

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

### **Summary of financial implications**

- 145. 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**

- 146. 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**

- 147. None specifically related to this report.

### **Summary of sustainability impact**

- 148. None specifically related to this report.

## **Summary of public health implications**

149. None specifically related to this report.

## **Summary of equality implications**

150. 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**

151. 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**

152. 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:

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

153. Quarter One Budget and Performance Monitoring report 2019/20

<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=3721&Ver=4>

154. Quarter Two Budget Monitoring Report 2019/20

<https://democracy.bcpCouncil.gov.uk/mgChooseDocPack.aspx?ID=3723>

155. Quarter Three Budget Monitoring Report 2019/20

<https://democracy.bcpCouncil.gov.uk/mgChooseDocPack.aspx?ID=3726>

## **Appendices**

Appendix A Outturn Revenue Variances greater than £100,000 by Directorate

Appendix B Earmarked Reserves Movements in 2019/20

Appendix C Capital Investment Programme 2021/2022 to 2022-2023

## Outturn Revenue Variances greater than £100,000

### Adult Social Care

Budget	Explanation	Dec Variance £000's	Outturn Variance £000's	Change £000's
Care packages	Pressure due to additional demand for provision of care and increased cost of residential placements	1,864	1,475	(389)
Covid-19	Additional demand, supporting the market, and other miscellaneous costs	0	450	450
Employee Costs	Vacancies due to recruiting difficulties	(249)	(698)	(449)
Other Social Care Activities	Miscellaneous variance of smaller scale	(356)	(953)	(597)
Service User contributions	Service user contributions now above budget plus contributions from Deferred payments agreements	(299)	(1,142)	(843)
<b>Total Adult Social Care</b>		<b>960</b>	<b>(868)</b>	<b>(1828)</b>

## Appendix A

### Children's Services Directorate

Budget	Explanation	Dec Variance £000's	Outturn Variance £000's	Change £000's
Children in Care (CiC)	Increased number of children and placement changes due to increased complexity with higher costs	1,620	2,085	465
SEN Transport	Further growth in numbers & associated cost of pupils eligible for SEN transport.	1,020	951	(69)
Operational staff costs	Legacy staffing pressures on the front door social work teams due to the use of agency staff as BCP came together with 2 case management systems	345	374	29
Home to school transport	Mainstream transport continues to be a pressure, this is due to the integration of Christchurch based travellers, a continual increase in the total number of entitled travellers and the shortage of primary school placements in the Town Centre area.	205	350	145
Business support of front-line teams	Business support services have been flexed, resulting in higher costs, to meet the needs of the directorate throughout the Local Government Reorganisation process and in establishing BCP Council.	200	221	21
Interim Management	Additional resources during creation of new service to drive improvement and allow handover to new directors.	270	263	(7)
Staff costs	Impact of restructure implementation from January 2020, delayed from September.	184	184	0
Public Health Grant	Partnership reserve returned to the council plus in-year underspend allocated to support children's services	(410)	(484)	(74)
CHAD	The numbers of children within the child health and disability team (CHAD) is below budget.	(336)	(544)	(208)
Various	Result of micro budget management to offset pressures in the whole system as well as additional income from grants and traded activities	(558)	(890)	(332)
<b>Total Children's Services</b>		<b>2,540</b>	<b>2,510</b>	<b>(30)</b>

## Appendix A

### Regeneration and Economy Directorate

Budget	Explanation	Dec Variance £000's	Outturn Variance £000's	Change £000's
Covid-19 - loss of income	Direct sales impacted plus increased bad debt provision	0	2,089	2,089
Covid-19 - Car Parking	Lockdown impact on parking fees	(188)	971	1,159
Concessionary Fares	Price increase for the Christchurch area	330	361	31
Miscellaneous	Miscellaneous variances across the directorate	(30)	304	334
Accountancy Adjustment	Historic planning commitments recognised (S106/S38/S278)	0	285	285
Street Lighting	Higher levels of electricity price inflation and maintenance than provided	256	278	22
Accountancy Adjustment	Reassessment of insurance income provision	0	258	258
Attractions/ Museums/Libraries	Reduced income and extra costs in attractions	260	160	(100)
Accountancy Adjustment	Consistent BCP treatment of income	0	141	141
Accountancy Adjustment	Stock valued under £25k to be written off	0	141	141
Two Riversmeet	Legacy staffing budget net of improved income	160	130	(30)
Property Services	Staff redundancy costs	120	120	0
Bus Subsidy	Renegotiated contract savings	(100)	(100)	0
Leisure Centres	Contractual improvements	(88)	(108)	(20)
Economic Development	Additional funding for staff and other development savings	(90)	(126)	(36)
Planning Services	Consistent approach to funding CIL plus additional net fee income	(300)	(324)	(24)
<b>Total Regeneration &amp; Economy</b>		<b>330</b>	<b>4,580</b>	<b>4,250</b>

## Environment &amp; Community Directorate

Budget	Explanation	Dec Variance £000's	Outturn Variance £000's	Change £000's
<b>Environment</b>				
Accounting adjustments	Establishment of consistency in income recognition / internal charge adjustment	0	618	618
Bereavement	Reduced income from cremations, largely due to new private facility also offering ceremonies in the BCP area	561	581	20
Waste & Cleansing	Legacy budgets for waste disposal too low with disposal price increase mid-January 2020	238	340	102
Parks, Grounds Maintenance & Greenspaces	Legacy budgets for concessions and contracts income too high	201	236	35
Parks / highways	Impact of winter storms on tree work budget/highways maintenance in Christchurch	2	155	153
Covid-19	Lost income/increase spend	0	97	97
Bad debt provisions	Assessment at year end of outstanding debts	0	64	64
Other variances individually < £100,000	Highways maintenance / recreation and sports loss of income from concession ending	58	83	25
Waste & Cleansing	Surplus for garden waste, household waste recycling centres and trade waste reduced by agency and bird contract	(188)	(100)	88
Waste & Cleansing	Dorset Waste Partnership	(172)	(164)	8



Budget	Explanation	Dec Variance £000's	Outturn Variance £000's	Change £000's
<b>Housing</b>				
Housing Options	Reprofiling of homelessness grant to apply to 2019/20 to cover additional costs	380	100	(280)
Bad debt provision	Assessment of debt at year end	0	(100)	(100)
Risk, Performance & Telecare	Vacancies held	(101)	(106)	(5)
Risk, Performance & Telecare	Telecare – new business higher than anticipated	(16)	(120)	(104)
Housing Delivery	Temporary accommodation achieved rent income ahead of programme	28	(153)	(181)
Risk, Performance & Telecare	Housing related support contracts lower for Christchurch services	52	(295)	(347)
Neighbourhood Services	Garages – legacy budgets set too low	(157)	(319)	(162)
Neighbourhood Services	Photovoltaic – legacy budgets understated plus good weather	(186)	(327)	(141)
<b>Communities</b>				
Redundancy and sundry variances	Redundancy (£130,000) and other (£25,000)	0	(155)	(155)
<b>Total Environment &amp; Community</b>		<b>700</b>	<b>435</b>	<b>(265)</b>

## Resources Directorate

Budget	Explanation	Dec Variance £000's	Outturn Variance £000's	Change £000's
<b>ICT</b>				
Covid -19	Mobile phones (£13,000), additional Team Viewer Licenses (£3,000)	0	16	16
Staffing	Combination of vacancies and small pressures	10	(20)	(30)
Printing and Photocopying	Budgets centralised; savings previously spread across services	0	(223)	(223)
Income Generation	Additional external income	0	(226)	(226)
<b>Organisational Development</b>				
Major Projects Team	LGR funding only up to the end of September for existing structure. Reduction from quarter 3 due to allocation to projects with cost recovery	235	223	(12)
General Expenditure	Lower than expected spend on areas such as training fees	0	(91)	(91)
Other	Staff costs and income recovery	86	(14)	(100)
<b>Law and Governance</b>				
Contribution to Reserves	Contribution to elections reserve and Charter Trustee funds	0	192	192
Land Charges Income	Wider external factors affecting income generation	45	134	89
Other	Savings in legal fees offsetting income deficit from Registrars.	(72)	(100)	(28)
Legal and Democratic Services	School Appeals income of £68,000 and employee cost savings across the service unit	0	(170)	(170)
<b>Finance</b>				
External Audit Fees	Additional work for 2018/19 and 2019/20 on assets and pensions to comply the code of audit practice	50	64	14
External Audit Fees	Difference between actual core audit costs compared to budget based on indicative scale fee	51	51	0
Covid-19	Personal Protective Equipment	0	19	19
Finance System	Higher than expected annual system licences	25	18	(7)

<b>Budget</b>	<b>Explanation</b>	<b>Dec Variance £000's</b>	<b>Outturn Variance £000's</b>	<b>Change £000's</b>
Revenues and Benefits	Various Revenues and Benefit legacy budget issues	51	(57)	(108)
Revenues and Benefits	SVPP surplus returned to BCP Council	(109)	(329)	(220)
Brexit Funding	Brexit grant allocated to staff costs plus utilisation of reserve to fund costs incurred	(74)	(353)	(279)
Housing Benefits	Single consistent approach to bad debt provision	0	(771)	(771)
Other variances individually < £100,000	Various sundry net pressures	(26)	116	142
<b>Total Corporate Services</b>		<b>272</b>	<b>(1,521)</b>	<b>(1,793)</b>