CABINET

Report subject	**Quarter 2 Budget Monitoring 2020-21 and Medium-Term Financial Plan (MTFP) Update Report**
Meeting date	16 December 2020
Status	Public
Executive summary	This report includes 2020/21 budget monitoring information for the end of September 2020 and progress made over the autumn in closing the MTFP budget gap for 2021/22 and future years. The projection for the 2020/21 revenue account is a balanced position after Covid-19 pressures, mitigation action and other budget variances are reflected. The pressures due to the pandemic have grown since the November report with further government support also received. The drawdown of resilience reserves to balance the year is projected at £0.6 million. The updated 2020/21 annual projections for reserve movements, the capital programme and housing revenue account (HRA) are also included in the report. Financial planning has progressed over the autumn with the aim of closing the previously identified budget gap for next year of £13.4 million. This report provides the progress made in updating the MTFP, including the refinement of pressures, savings, and assumptions based on the latest information available. The current plan is showing a residual gap to close for next year of £10.3 million. Work is now progressing to establish final proposals to enable a balanced and lawful budget for 2021/22 to be set in February 2021.
Recommendations	**It is RECOMMENDED that:**
	Cabinet: **a) Note the current budget position for 2020/21.** **b) Approve £310,000 of additional investment expenditure within children's services to support the service improvement plan during 2020/21 as set out in paragraph 32.** **c) Approve the application of £365,000 additional investment during 2020/21 in the new administrations 100-day plan as set out in paragraph 73.** **d) Note an additional £350,000 investment in the transformation programme to support development**

	of smarter staff structures. **e) Note the additional £251,000 investment in the Estates and Accommodation Project in 2020/21 as approved by Council on the 24 November 2020.** **f) Approve capital virements as set out in paragraph 107.** **g) Note progress made in developing a balanced, robust and lawful budget for 2021/22.** **h) Approve the continuation of the current Local Council Tax Support Scheme (LCTSS) into 2021/22 as set out on paragraphs 148 to 150.** **Council:** **a) Approve the capital virement as set out in paragraph 108.** **b) Approve the refinancing of £4.8 million historic infrastructure spending via CIL and S106 funds to support the 2021/22 budget position as referenced in paragraphs 140 to 142 and Appendix D1** **c) Approve the Discretionary Business Rates Relief policy of BCP Council as set out in paragraphs 151 to 155 and appendix E**
Reason for recommendations	• To comply with accounting codes of practice and best practice which requires Councils to regularly monitor the annual budget position and have a rolling multi-year MTFP. • To provide and update on progress of the financial strategy to support the delivery of a balanced budget for 2021/22.
Portfolio Holder(s):	Councillor Drew Mellor, Leader, Finance & Transformation
Corporate Director	Graham Farrant, Chief Executive
Report Author	Adam Richens: Chief Finance Officer and Director of Finance adam.richens@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Decision

Background

1. In February 2020 Council agreed the annual general fund net revenue budget of £283 million, a capital programme of £106 million and the net use of reserves of only £0.5 million. Budgets were also agreed for the housing revenue account (HRA).

2. In June 2020 the first budget monitoring report for 2020/21 considered the estimated impact from the Covid-19 lockdown and assumed recovery period and a mitigation strategy to rebalance the budget. This included finding new savings and using reserves.

3. The second budget monitoring report in November provided updated annual projections for the 2020/21 revenue account, including further pressures from the pandemic, additional government grant support (including for a proportion of lost income) and other net budget pressures. This reduced the projected use of reserves from the £10.7 million projected in June to £1.9 million.

4. The government announced additional funding support for councils on 12 October with funding allocations confirmed on 23 October for tranche 4 emergency funding of £3.9 million for BCP to support council services in general over the winter. In addition, £1.07 million has been allocated from a Covid Winter Grant Scheme to support families with children, other vulnerable households and individuals up to the end of the financial year.

5. On 16 October the government announced allocations would be made to councils from the Department of Health and Social Care Contain Outbreak Management Fund. The allocation of £3.2 million for BCP at £8 per head of population is to support the second national lockdown from 5 November. Budgets will be increased to support these activities, which include:

   a. Targeted testing for hard-to-reach groups out of scope of other testing programmes.
   b. Additional contact tracing.
   c. Enhanced communication and marketing, for example towards hard-to-reach groups and other localised messaging.
   d. Delivery of essentials for those in self-isolation.
   e. Targeted interventions for specific sections of the local community and workplaces.
   f. Harnessing capacity within local sectors (voluntary, academic, commercial).
   g. Extension/introduction of specialist support (behavioural science, bespoke communications).
   h. Additional resource for compliance with, and enforcement of, restrictions and guidance.
   i. Measures to support the continued functioning of commercial areas and their compliance with public health guidance.
   j. Funding Military Aid to the Civil Authorities (marginal costs only).
   k. Targeted support for school/university outbreaks.
   l. Community-based support for those disproportionately impacted such as the BAME population.
   m. Support for engagement and analysis of regional areas to assess and learn from local initiatives.
   n. Providing initial support, as needed, to vulnerable people classed as Clinically Extremely Vulnerable who are following tier 3/lockdown guidance.
   o. Support for rough sleepers.

   Outcomes will be monitored by government with activities likely to evolve as the lockdown progresses.

6. In addition, on the 2 November the Ministry of Housing, Communities and Local Government (MHCLG) allocated the Council £221,000 to support Clinically Extremely Vulnerable (CEV) individuals during the period on four-week November lockdown. This funding is equivalent to £14.60 per CEV individual on the Shielded Patient List (SPL) for the 28-day period that restrictions are in force and should be used to deliver the activities and outcomes of outlined in the Shielding Framework. This includes the overheads of setting up and managing the local system, contacting CEV individuals,

assessing their food and basic support needs, and facilitating the delivery of that support where necessary, and reporting on the level of support provided.

7. In respect of businesses the Government confirmed on the 3 November that they will provide Councils with a Local Restrictions Support Grant (closed) (LRSG) allocation to make a single mandatory grant for each eligible business that have a rateable value to cover the second national lockdown period, with businesses with more than one qualifying property receiving more than one grant. Eligible businesses are those that have been mandated to close by Government and include non-essential retail, leisure, personal care, sports facilities and hospitality businesses. The rate of payment for eligible businesses will be:

    - For properties with a rateable value of £15k or under, grants to be £1,334 per four weeks.
    - For properties with a rateable value of over £15k and below £51k, grants to be £2,000 per four weeks.
    - For properties with a rateable value of £51k or over, grants to be £3,000 per four weeks.

    Local Authorities will be fully reimbursed for these grants with BCP Council being initial allocated £8.2 million as the Governments estimate as to 90 per cent of the total, we are likely to have to pay out.

8. Further to the LRSG the Council will also receive an Additional Restrictions Grant (ARG) as a single grant allocation based on £20 per head of population for each local authority (£7.9 million for BCP Council) to use to run a discretionary grant scheme, for example to closed businesses that do not have a rateable value or have costs that are significantly higher. Such grants can also be paid to businesses that are severely impacted rather than closed. The allocation can also be used for other direct business support at the discretion of the local authority, for example support for businesses from Growth Hubs. It is important to highlight that the ARG is a one-off payment for Local Authorities paid in financial year 2020/21 but to be used across the two-year period to the 31 March 2022 and will not be renewed.

9. Despite the improved overall budget position shown in the November report, the large and growing overspend within children's services remained a concern. Also, of concern was the overspend within the corporate directorate. This report includes details of the overspends and remedial actions to be undertaken as agreed by the corporate director of children's services and the chief executive.

10. The budget monitoring sections of the report include the latest annual projections for the capital programme, reserves and the HRA.

11. The MTFP covers the years 2021/22 to 2023/24 with a budget gap of £13.4 million for next year reported in November, alongside a set of planning assumptions. The report provided options for closing the gap with a timetable of activity to ensure a balanced budget can be set in February 2021. This report provides the progress made in updating the MTFP to take account of the latest government announcements and most recent work undertaken.

Revenue budget monitoring 2020/21

12. The projected 2020/21 revenue outturn is for a balanced position, after potentially using £0.6 million of the financial resilience reserve as set out below. A summary of the budget position is below.

Figure 1: General Fund – Summary projected outturn as at 31 March 2021

August Variance £m		Approved Resource £m	Covid-19 Pressures £m	Mitigation £m	Other Variances £m	Projected Outturn £m	Projected Variance £m
	Service Budgets						
2.2	Adult Social Care & Public Health	111.1	6.9	(3.7)		114.3	3.2
5.5	Children's Services	61.8	5.2	(0.8)	1.9	68.1	6.3
1.2	Environmental & Community	51.3	4.9	(3.0)	(0.3)	52.9	1.6
19.0	Regeneration & Economy	7.0	21.7	(4.0)	0.5	25.2	18.2
2.2	Resources	32.9	3.2	(1.3)	0.3	35.1	2.2
	100 Day Plan				0.4	0.4	0.4
(0.8)	Furlough of staff			(1.0)		(1.0)	(1.0)
29.3	**Total Service**	**264.1**	**41.9**	**(13.8)**	**2.8**	**295.0**	**30.9**
	Corporate						
	Estates Management				0.3	0.3	0.3
	Smarter Structures				0.4	0.4	0.4
2.1	Investment Property Income	(5.5)	2.4			(3.1)	2.4
	Pensions	5.6				5.6	
	Repayment of debt (MRP)	11.6				11.6	
(0.1)	Corporate Items	0.9			(0.1)	0.8	(0.1)
(0.2)	Interest on borrowings	1.8			(0.2)	1.6	(0.2)
0.1	Treasury Income	(0.3)			0.1	(0.2)	0.1
(2.5)	Contribution to Capital Projects	2.8		(2.5)		0.3	(2.5)
2.5	Contribution to Transformation			2.5		2.5	2.5
(1.2)	Transfer to Reserves	0.9		(1.2)		(0.3)	(1.2)
1.2	Transformation Revenue costs			1.2		1.2	1.2
11.9	Contribution to Reserves for lost Council Tax / NDR		11.9			11.9	11.9
13.8	**Total Corporate**	**17.8**	**14.3**	**0**	**0.5**	**32.6**	**14.8**
(25.2)	Covid-19 Grant		**(29.0)**			**(29.0)**	**(29.0)**
(12.1)	Grant for lost income		**(12.1)**			**(12.1)**	**(12.1)**
5.8	**Total Budget**	**281.9**	**15.1**	**(13.8)**	**3.3**	**286.5**	**4.6**
(1.1)	Contingency	1.2		(1.2)		0	(1.2)
(2.8)	Refinanced capital projects			(2.8)		(2.8)	(2.8)
(1.9)	Financial resilience reserve			(0.6)		(0.6)	(0.6)
0	**Net Budget**	**283.1**	**15.1**	**(18.4)**	**3.3**	**283.1**	**0**

13. The estimated pressures due to the pandemic have increased from £55.5 million gross of government grant (£18.2 million net) in the November report to £56.2 million gross (£15.1 million net) in December. This is largely due to increased costs relating to waste services, temporary housing and staffing costs in adult social care. These additional costs are offset by improved income projections for carparking and seafront due to good trading conditions in early autumn, reduced support to leisure centres, as well as the fourth tranche of covid-19 grant funding of £3.9 million.

14. This latest projection includes £12.1 million of funding from the government to compensate for lost sales, fees and charges. After meeting the first 5% loss of this income in full, losses above this level are funded by government at 75%. This is providing greater stability in the estimated budget impact from the pandemic since the details of the scheme were set out in September.

15. Delivery of the £13.4 million of new service savings identified as part of the June mitigation strategy remains largely on track, with reduced savings relating to learning disability and mental health and the cancellation of plans for a new fun fair. This loss of savings is partially offset by additional savings from furloughed staff.

16. Budget variances unrelated to the pandemic are relatively small at £3.3 million with pressures largely within children's services relating to the front door, SEN team and business support employee costs plus additional central costs in progressing the council's transformation.

17. Monthly reports are continuing to be submitted to MHCLG, with the pandemic pressures shown above in Figure 1 consistent with the November return except for a small number of updated projections, largely as a result new government grants being received.

18. Appendix A1 includes the detail of all 2020/21 projected budget variances greater than £0.1 million with a full revenue summary presented in Appendix A2.

Summary of 2020/21 projected outturn by directorate

19. The following paragraphs summarise the projected 2020/21 budget position for each directorate.

Adult social care net variance £3.2 million

20. The main Covid-19 pressures are support to the care market in the initial part of the financial year of £4.9 million. BCP is receiving £11.5m Infection control grant to help the care sector restrict the movement of staff between care homes and pay staff full wages if they are self-isolating. The government will also provide the care sector with free PPE.

21. In view of the 5 November lockdown and reduced funding for the hospital discharge to assess scheme, mainly around the continued requirement for extended and 7 day week social care cover no longer funded by the NHS, the projections for the Covid-19 related pressures have increased by £0.5 million.

22. Most of the £4.2 million mitigating savings are on course to be delivered as intended. The £0.5 million package of measures, including targeted reviews for people with learning disabilities, remains a challenge at this stage and is included as a pressure.

23. Other movements in the adult social care financial projections include £1.5 million projected pressures in care packages mainly due to additional demand from people with learning disabilities and mental health.

24. The budget projection incudes the costs from the impact of the hospital discharge scheme 1 (HDS1) funding being phased out between September 2020 and March 2021. Due to eligibility and financial assessments outstanding the real impact to the Council's financial position is unclear at this stage as the Council has, following national guidance, commissioned care for self-funders and CHC eligible adults on behalf of the whole health and social care system, as well as people who would be eligible for Council funding. Until this cohort is re-assessed, particularly through the CHC process, is not fully clear how much of these care costs will remain with BCP Council. In addition, the costs of care home placements commissioned during March and April period under emergency hospital discharge arrangements was higher than budgeted costs. This will lead to pressures on the care home budget in this financial year and subsequent years. The further necessity of purchasing an increased level of interim care home beds in the light of pressures on the NHS in November and December due to the pandemic may also lead to a rise in the care home budget in this and future financial years.

25. The projected overspend in care packages is mitigated by additional income from client contributions and deferred payments of £1.7 million which also mitigate other smaller miscellaneous variances.

Children – net variance of £6.3 million

26. The projected in year overspend in Children's at Quarter 2 is mostly due to cost of care and staffing. The total pressure on care is £4.0 million and the forecast overspend in other areas is £2.3 million.

27. The care packages pressure is as a result of both significantly increased cost of some placements due to needs and complexity but also a continued increase in numbers of children being placed into care.

28. Permanent savings of £0.2 million are included for staff restructures across the three service areas and commissioning savings of £0.2 million. There are also other various miscellaneous savings of £0.35 million (£0.1 million a current year only contribution). Total 2020/21 Covid-19 mitigation savings of £0.8 million are on course to be delivered.

29. Staffing pressures continuing from the previous financial year include the social work front door team and business support. The projected overspend on the front door team has increased by £0.35 million since quarter one with the annual projection at quarter two indicating an overspend of £0.85 million. This is due to significant use of agency social workers above vacant establishment posts to clear a significant backlog of cases. The cost of temporary and interim senior posts designed to make rapid improvements in the service is also adding to the overspend on staffing. The cost of interims now exceeds the one-off reserve that was earmarked for this work at budget setting. Additional staffing pressures are also being seen in the significantly under pressure SEN team due to the growing caseload as well as the case management systems team which is engaged in the wider care together programme to establish a single system for the new council.

30. The cost of the recent community food parcel offer which ran for 5 days during the October half term for children eligible for free school meals during term time was less than expected and significantly below £0.1 million. If the same offer is made for the December and spring half term breaks (3 weeks) with greater publicity, the costs would be higher but are now expected to be met from a specific grant from the winter pressures fund from central government.

31. A budget report from the corporate director for children's services to explain the reasons for the overspend and mitigation actions put in place is included in Appendix A3. This report also recommends that additional expenditure of £0.31 million is agreed for 2020/21 to support the implementation of the service improvement plan.

Environment and community – net variance of £1.6 million

32. The November report identified £4.0 million of pressures related to the Covid-19 pandemic. This has now increased to £5.0 million.

33. Waste services are seeing increases due in part to the increased waste tonnages being collected from domestic properties, an increased gate price for recyclates, and the on-going loss of commercial waste income.

34. Within the housing service additional costs for temporary accommodation, subsistence and security arrangements have increased significantly since November, and particularly for security costs. Provision has moved to smaller blocks of accommodation which are greater in number. Making these placements has also affected the amount of housing subsidy the council can claim as some of the accommodation used does not attract full subsidy. The total for all temporary accommodation related costs is additional spend of £5.2 million. This total is mitigated by the receipt of housing benefit and specific grants totalling £3.6 million. The projected expenditure is based on the continuation of the current strategy which is being reviewed. Additional grant bids have been made to support these additional costs to prevent homelessness. There are a small number of pressures relating to telecare and facilities management.

35. The pressures within bereavement relate in the main to the council's share of the cost of providing the mortality support facility at Poole port and in the Dorset Council area. There will also be some impact on the coroner's service due to an increase in the number of inquests and the special measures required when carrying them out, together with the cost of employing agency pathologists.

36. There are also significant pressures within the catering & concessions and parks services as a result of facilities being closed and reduced services. The forecasting of lost income is under constant review.

37. Within communities the reason for the increase in pressures relating to Covid-19 since June is the full year impact of lost licensing and fixed penalty notice income, plus some additional security costs for the town centre.

38. The review of communities' budgets for temporary savings due to Covid-19 can provide £0.1 million of mitigation. Permanent savings relating to service restructures vacant posts and other budget reductions total £0.3 million.

39. The Covid-19 mitigation savings identified by the previous administration within the environment budgets included £0.6 million from the potential to delay to 2021/22 the spend on member priorities relating to climate change, street cleansing, unauthorised encampments and highways maintenance. The budget for street cleansing in Christchurch has been restored through the 100-day plan noted below and shown separately within figure 1 above.

40. The review of all other budgets can save £0.8 million. Included are temporary savings to recognise a level of underspending due to Covid-19 and service decisions to reduce grass cutting. Permanent savings are bringing forward the early harmonisation of charging polices across the area for replacement bins and

rebalancing of waste collection rounds. Other permanent savings include deleting some vacant posts.

41. The review of housing budgets has provided £1.2 million of savings from temporary reductions in spending due to Covid-19 and suspension for one year of the contribution to the rent deposit bad debt provision. There are also savings from staffing changes and reduced back fill of vacancies, some of which will be permanent.

42. The £0.3 million saving from rebalancing the solar panel budget for HRA stock reflects current activity and will be treated as permanent.

43. A number of non-Covid-19 related pressures and savings exist, significantly in waste & cleansing where the anticipated European taxes on recycling in have not yet materialised, there are also anticipated savings in relation to contract negotiations within housing related support although there are some pressures in income budgets identified when closing the first year.

Regeneration and economy – net variances of £18.2 million

44. Whilst there have been some movements, both positive and negative, the overall forecast position has improved similar since the November report.

45. The main Covid-19 pressures in the directorate, as identified in the first monitoring report for the year, continue to be from lost income due to the lockdown period plus a slow recovery, particularly from car parking. Financial support provided to leisure and conference providers remains a significant pressure for the directorate.

46. As previously reported the easing of lockdown during the summer enabled some income streams to recover, particularly car parking and seafront trading. However, this required significant investment in the management of the resort (£1.2 million). Extra measures were put in place to help manage social distancing during this period of high demand with additional cleansing, security, communication and support to residents, businesses and visitors. A number of these measures are now on-going or required to be re-instated due to the second lockdown.

47. The second lockdown during November has created additional pressures in the same income streams. However, a better than anticipated early autumn for both seafront and car parking has helped mitigate this as well as emerging pressures in car parking business rates and the non-realisation of additional income from the planned new funfair, with an overall net improvement of £0.6 million.

48. Income levels remain less than previously anticipated following the reopening of cultural and heritage assets and reduced visitors, particularly at Highcliffe Castle which is more heavily dependent on weddings and events.

49. In meeting its obligations, the council has agreed to provide significant support to our leisure services partners, BH Live and SLM, to help them through the pandemic and there are similar pressures associated with the council run 2RM Christchurch leisure centre. The projected costs from the pandemic have reduced since the November report by £0.5 million to £3.7 million. This is due to the Arts Council England Cultural Recovery Fund support provided to BH Live of £1.5 million being partially offset by additional pressures across all leisure providers from the second period of national lockdown and closure of centres.

50. Car parking income at Upton Country Park has continued to improve due to the new play park attraction and the easing of lockdown enabling it to reopen sooner than forecast. This has reduced the pressure by a further £33,000 to £0.1 million.

51. The net pressures expected in planning and building control services have increased by £85,000 to £1 million as the wider economic impact of Covid-19 unfolds.

52. Major repair work required at the entrance of the Richmond Gardens car park has meant £0.1 million of unbudgeted costs have been incurred creating a new pressure within car parking services.

53. Transport network services continue to have a pressure relating to the traffic light and signalling contract which is £0.1 million more than budget.

54. The costs of journeys relating to Adult Social Care and extra Covid-19 requirements is projected to create a new £0.25 million pressure within fleet services.

55. All previously reported mitigation savings, with the exception of the funfair mentioned above, remain on track as described below.

56. Destination and culture have projected temporary savings arising from the outbreak period at £1.3 million. The cancellation of the air festival has saved £0.3 million. The delay by the previous administration until next year of £150,000 spend on culture as part of members' priorities has been restored by £20,000 through the 100-day plan. Vacant posts and other budgets continue to provide £0.1 million of savings.

57. Development have identified £0.3 million in savings from leaving vacancies unfilled and reduced spend as a result of the outbreak, and £0.3 million from delaying Member priorities.

58. Growth & infrastructure are projecting savings from reduced spend as a result of the outbreak of £0.7 million and unfilled vacancies of £0.5 million.

Resources – net variances of £2.2 million

59. The August variance identified a net overspend of £2.2 million all in relation to the impact of Covid-19. Since then the overall net position has stayed the same.

60. A further £0.2 million of Covid-19 related pressures has been identified. The biggest pressure remains the loss of summons income in relation to council tax and business rates collection. During lockdown courts were closed and although operating now they have yet to supply any court dates to the council which impedes the process of raising summons to taxpayers. This represents a total pressure of £1.1 million. The second period of lockdown confirms our previous assumption that nearly no income will be collected this financial year.

61. Additional pressures in the directorate have been identified in relation to salary pressures associated with the replacement of the Director of Children's and ongoing staffing pressures for customer services. A budget report from the chief executive is included in Appendix A4.

62. A centralised approach to stationery storage, buying and budgets has been implemented for the council which gives the opportunity to achieve savings and aligns with the workstream looking at third party spend within the transformation programme. This has enabled the realisation of projected underspend of £0.1 million.

63. The mitigation savings identified in June are largely on track to be delivered.

Central items

64. Council tax and business rates loss of income remains the most significant pressures in year due to the Covid-19 pandemic, totalling £11.9 million. This remains unchanged from previous projections but is being monitored closely. It is too early to estimate the impact of the arrangements for the second lockdown period or see the full economic consequences from the first, for example, the extent of the increased uptake of the local council tax support scheme.

65. As agreed by Cabinet on the 11 November the estates and accommodation project included additional one-off revenue costs of £0.3 million to support the progress.

66. The council's pay and reward project is budgeted at a cost of £2.1 million and is funded by a specific earmarked reserve. It is currently assumed this reserve will be fully utilised in the 2020/21 financial year on existing commitments with a further £0.4 million required to purchase additional capacity to expedite the process to realise savings sooner. It is proposed that the requested additional £0.4 million is financed within the overall envelope of the 2020/21 Budget with active financial management being undertaken to achieve a balanced or better financial outcome for the financial year. On the assumption of endorsement of this expenditure by the Capital and Transformation Board, the approval of this expenditure should be confirmed is a specific Decision Record from the relevant Corporate Director.

67. The council claim to government for furloughing staff will total £1 million up to the end of October helping the overall position. It is expected that any spare capacity created through service closures will be available to support additional activities required during the second and any further periods of lockdown.

68. The projected annual income from investments has reduced by a further £0.3 million following a review of outstanding rents within the portfolio with greater provision made for bad debts due to the deepening economic crisis.

100 Day Plan

Pride in Place

69. The new administration has clear ambitions to improve the pride in our place focusing on the role of the council and other partners. The emphasis is on anti-social behaviour, community safety and street cleansing. This year has seen significant challenges across these areas. Portfolio-holders, lead councillors and officers are working with partners and stakeholders to discuss priorities and plans to support an enhanced response. An indication of ideas in development include significant additional community safety accreditation scheme (CSAS) resource, CCTV rollout, increased community days of action, enviro-crime enforcement resource, aligned highways and cleansing resource and the development of a new litter bin strategy.

Economy

70. As we look to lead our local economy out of this pandemic significant enhancement of our regeneration capacity at an organisational level, both in terms of place-shaping and housing delivery, are being brought forward including new money directly targeting Christchurch regeneration.

    Additionally, this administration is prioritising a commitment to the exploration of Free Port status in conjunction with partners across the LEP, Bournemouth Airport and Port of Poole.

Other Priorities

71. There are other areas that this administration is bringing forward including mental health provision and investment in culture and the environment.

72. In general, these plans will be set out as part of the February 2021 budget plan for the financial year 2021/22 but consideration has also been given to committing to a level of this expenditure in the current year as shown in figure 2 below:

Figure 2: 100 Day Plan

Service enhancement		Financial implication
Increased cleansing in Christchurch *(Jan to March)*	Introduction of pavement sweeper & sweeper/litter bin emptying/flytip removal support 3 x operatives	£23,595
Increased cleansing general manual cleansing *(Jan to March)*	Reinstatement of previously funded 6 x operatives removed due to lack of designated budget to support manual cleansing functions.	£42,219 + £7,500 vehicle hire and fuel costs
Gully cleansing *(Jan to March)*	Introduction of programmed gully emptying service x 2 operatives to reduce incidences of flooding across the Christchurch locality in line with Bournemouth & Poole. Historically under legacy council arrangements provided on a reactive only basis with the limited exception of the resilience network.	£32,366
Additional management and support for joint tasking and development of a Town Team concept	Development of pilot scheme in Bournemouth Town Centre seeking to improve the experience of visiting Bournemouth town centre for our residents and visitors, support a strong and vibrant retail sector, apply a collaborative and co-ordinated multi agency approach in order that collective resources are maximised.	£12,500 Seeking support from Dorset Police with detached constables supporting.
Rough sleeper locker project	To develop and implement the locker project to provide a storage option for those sleeping on the streets.	£40,000
Empty shops window acetate	Bournemouth and Poole town centre pilots	£20,000 Seeking funding support from the Office of the Police and Crime Commissioner. £4,000 allocation from MHCLG Compliance and Enforcement Grant to support Covid Compliance messaging.

Service enhancement		Financial implication
Fly Tipping Investigation and Enforcement Service	6-month initial pilot with 6-month extension option. Commission fly-tipping investigation and management service. Nil-cost to Council for end to end service. Funded through FPN income.	After month 1, 5% of all revenue generated by FPNs to be paid to BCP Council
Anti - social Behaviour Strategy Development and community safety	Interim support required to begin the development of a long- term strategy for tackling ASB across BCP. Additional CCTV coverage	£20,000 from Communities Base Budget CCTV £26,500
Regeneration	To develop the strategy for Christchurch	£30,000
Tree planting	Creating woodland in One hectare comprising of 1600 trees	£10,000
Free Port development	External support in preparation of our Free Port bid submission	£50,000
Culture	Bringing forward of planned 2021/22 resource	£20,000
Mental Health	Additional mental health worker across MASH and Early Help and further roll out of prevention at scale pilot	£50,000
Total Additional Cost		**£364,680**

Reserves monitoring 2020/21

73. Earmarked reserves have been set aside for specific purposes and these were reconsidered in June in the light of the new financial environment and need to fund the transformation programme which is fundamental to delivering savings at scale.

74. The position in November was that £1.9 million of financial resilience reserves may be needed in 2020/21 to balance the budget. The updated position is for now £0.6 million is required to balance the position.

75. Any financial resilience reserves no longer needed to balance the 2020/21 budget can be used to support the MTFP.

76. These reserves will be held for their original purpose until it becomes clear that they will not be needed to support the revenue budget this year or next, with no expenditure to be incurred without the approval of the corporate management board.

77. Figure 3 below summarises the projected movement in reserves during the current financial year.

Figure 3: Summary of projected movements in reserves

	Balance 1 April 2020	Balance 31 March 2021	Movement
	£m	£m	£m
Earmarked reserves	53.8	28.8	(25.0)
Un-earmarked reserves*	15.4	14.2	(1.2)
Total reserves	**69.2**	**43.0**	**(26.2)**

*These amounts do not include the deficit on the dedicated schools grant

78. The main movement on other earmarked reserves during the year are as follow:

Financial Resilience Reserves

a)	£594k	**Covid-19 Financial Resilience Reserve** Draw down to support overall budget position
b)	(£2,500k)	**Covid-19 Financial Resilience Reserve** Contribution from previous voluntary revenue provision as per Covid-19 report in June 2019

Transition and Transformation Reserves

c)	£1,364k	**Pay & Reward Strategy** Full use of reserve to pay for work on pay and reward strategy
d)	£425k	**Local Government Reorganisation Costs** Full use of reserve to pay for remaining LGR costs
e)	£947k	**Redundancy Reserve** Full use of reserve to pay for actual and potential redundancy costs.

Government Grants

f)	£11,102k	**Covid-19 Grant Tranche 1** Full use of Tranche 1 grant received in March 2020 rolled forward

79. Appendix B provides the detail of projected reserve movements for 2020/21

Dedicated Schools Grant (DSG) 2020/21

80. The DSG is allocated within four expenditure blocks for early years, mainstream schools, central council services and high needs. The aim would normally be to set the DSG budget for a balanced position overall.

81. The council is no longer able to add to the DSG from its own resources with the Department for Education (DfE) imposing a limit on how much funding can be transferred away from mainstream schools to support the high needs budget. Consequently, despite initiatives to reduce expenditure, the high needs budget for 2020/21 was set with a shortfall of £6 million compared with funding available from the DSG. The projection for 2021/22 is for a shortfall of £3.9 million.

82. There is a surplus in 2020/21 of £1 million from the school's funding block after all mainstream schools have received their full national formula allocations. This balance is being held to offset the shortfall from high needs, reducing the annual deficit to £5 million. It is not yet known what level of surplus school's block funding there will be (if any) in 2021/22 to transfer to high needs or remain unallocated to support the deficit. This will be dependent on the DSG settlement in December, updated school data from the October school census and decisions made about the allocation of school block funding.

83. The accumulated deficit at 31 March 2020 was £4.6 million, with the budgeted funding shortfall net of projected in-year variances increasing this to £9.8 million by 31 March 2021. The currently anticipated funding shortfall for 2021/22 will increase the cumulative deficit at March 2022 to £13.7 million.

84. Figure 4 below summarises the projected deficit for the dedicated schools grant over this year and next.

Figure 4: Summary position for dedicated schools grant

	£m
Accumulated deficit 1 April 2020	**4.6**
Budgeted high needs shortfall 2020/21	6.0
School funding block surplus 2020/21	(1.0)
Projected savings on other blocks 2020/21	(0.3)
Projected pressure in high needs block 2020/21	0.5
Projected deficit 31 March 2021	**9.8**
Projected high needs funding shortfall 2021/22	3.9
Projected deficit 31 March 2022	**13.7**

85. The plan to reduce the growth in the number of EHCP's appears to be on target however the average cost of a plan remains greater than the 2020/21 target.

86. The service is scheduled to report progress in reducing the high needs budget at monthly budget overview meetings with reporting to the Department for Education twice a year at regular intervals.

Capital budget monitoring 2020/21

87. 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.

88. Members will note the increase in current forecast spend to £128.7 million in comparison with original budget of £105.7m approved by Council in February 2020. This reflects the considerable level of new grant funding the Council has successfully bid for and received this year. Significant changes to original budget are summarised in Figure 5 below:

89. **Figure 5: Amendments to the capital programme**

	£m
Original budget 2020/21	**105.7**
Reprofiling of unspent resource from 2019/20	16.5
Transforming Cities Fund (additional budget)	13.2
Additional Pothole Grant (additional budget)	2.9
Challenge Fund Grant (new budget £2.5m of total £4.2m grant profiled into 2021/22)	1.7

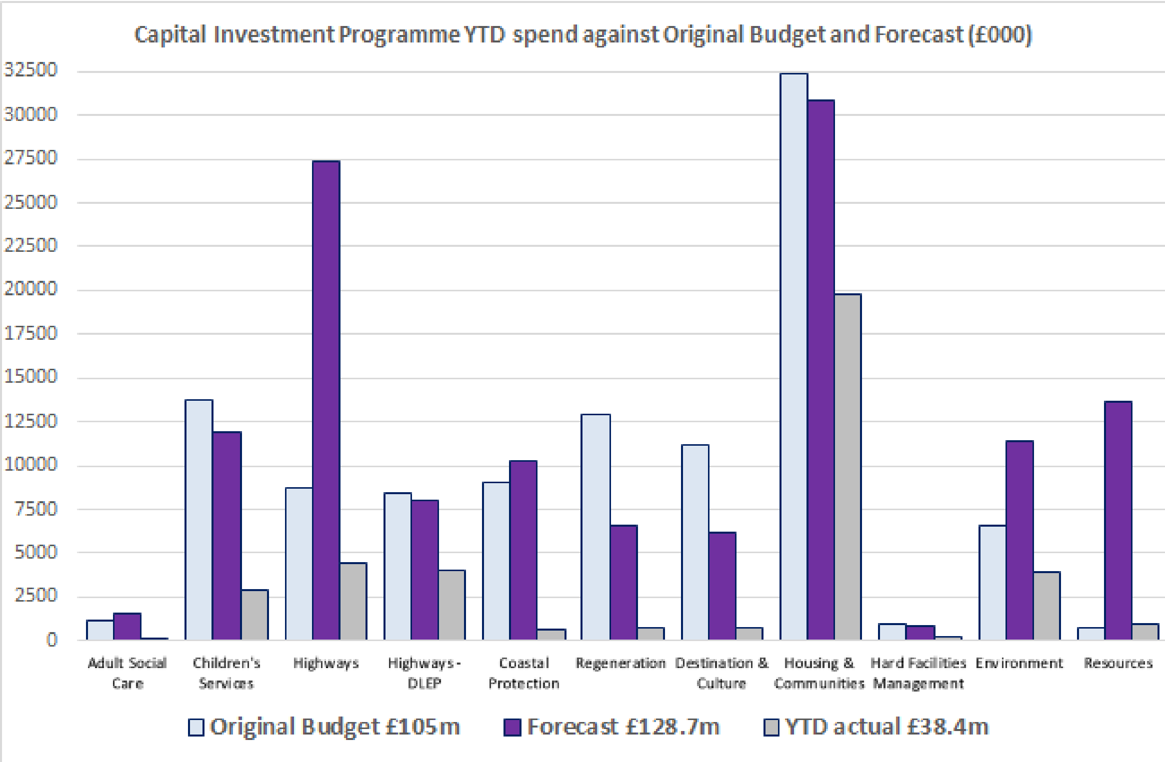
Organisation Design (additional budget)	8.8
	£m
Children's Capital Projects (reprofile to 2021/22)	(2.8)
Lansdowne Business District (reduction in original budget)	(3.7)
Towns Fund Grant (additional budget)	1.0
Office Accommodation (£2.5m of total £5.8m approved is planned 20/21) (additional budget)	3.2
Seafront Development (reprofile to 2021/22)	(7.4)
Temporary Accommodation Portfolio (reprofile to 2021/22)	(3.6)
Commercial Assets (reprofile to 2021/22)	(2.7)
Regeneration Projects (Poole High Street and Heart of Poole – Masterplan) (reprofile to 2021/22)	(1.6)
Heart of Poole (reduction in construction budget, further £0.75m released from 2021/22 capital budget)	(0.8)
Wessex Fields Link – highways (reduce budget)	(0.6)
Various others	(1.1)
Forecast as at 31 October 2020	**128.7**

90. Figure 6 below compares actual spend to 31 October 2020 with original budget and latest forecast. At £38.4 million, actual spend to date is 30% of latest full year forecast. Progress on capital programme delivery to date has been impacted by Covid-19. This is likely to continue to some degree as the UK enters its second national lockdown.

91. As a result, it is likely that further reprofiling of 2020/21 capital budgets will be required. These will be estimated in early December, once the impact of the second lockdown on the capital programme is better understood. In considering this, the council is mindful of grant conditions on specific grants, which require spend to be incurred by 31 March 2021.

92. Members are also advised that in September, the council submitted a new £1.6 million grant bid from the Department for Transport (DfT) emergency active travel fund tranche 2. The Council was recently advised that this bid was successful - with £1.1 million new grant awarded (see capital budget virements below). A further bid for between £468k and £0.8 million DLEP funding was submitted in October for additional highways improvements in the Port of Poole area. Of this £0.2 million DLEP grant was awarded in November, which must be spent by 31 March 2021. Budget adjustments for both are included within the November capital programme.

93. **Figure 6: Capital investment programme spend**



Planned capital investment programme activity in quarters three and four

94. **Adults & Children's Services** - Carter School construction works are expected to complete in quarter four. Contracts have been awarded to progress new school build at Hillbourne School. Unspent approved capital budgets for both new care management system and integrated community equipment store are expected to be fully utilised by quarter four.

95. **Highways** – The council currently estimates a further £12 million spend on transforming cities fund (TCF) capital projects in the second half of the year. The TCF is an ambitious and far-reaching programme of strategic investment that is supported by robust governance arrangements. A further £2 million is planned on challenge fund projects before 31 March 2021. The council recognises the significant challenges with delivering an ambitious highways capital investment programme. It is actively moving forward a recruitment process for new engineering roles ranging from junior to senior technician/engineer level, to increase resources available to manage project delivery. The council has allocated £0.9 million pothole grant funding towards its street scene operations, for highways improvements undertaken across the conurbation.

96. **Highways DLEP** - Dorset Local Enterprise Partnership (DLEP) £3.7 million capital spend on highways infrastructure projects remains to be spent and claimed from DLEP in the second half of the financial year.

97. **Coastal protection** – The council has recently awarded contracts for both the timber groyne and beach nourishment phases of the Poole bay beach management

plan. Nearly £9 million is forecast to be spent this financial year on this programme (largely in quarters three and four), delivered in partnership with the Environment Agency.

98. **Regeneration** – The council remains committed to delivering its programme of regeneration in the Lansdowne business district, including 5G digital connectivity and infrastructure, in partnership with DLEP. The council currently anticipates investing £3.9 million DLEP grant in the Lansdowne area and on the smart places project in the second half of the year. Given the financial and reputational risks associated with this, these projects are monitored on a monthly basis by the council's capital & transformation board. Additionally, Ministry for Housing, Communities and Local Government (MHCLG) £1.0m towns fund grant awarded 25 September 2020, is required to be spent on Boscombe regeneration by 31 March 2021.

99. **Destination & culture –** Contract has been awarded for Canford Cliffs stabilisation works (£2.5 million spend anticipated this year) and the procurement process has now commenced for Canford Cliffs Pavilion works. The seafront programme consists of a series of innovative developments that span the breadth of the council's coastline. These are planned to be delivered at pace in 2021/22. Programme delivery is monitored regularly by the council's Seafront Development Board.

100. **Housing –** The council expects to acquire 20 new homes (estimated total spend £3 million) in the second half as part of its temporary accommodation portfolio budget. These acquisitions will utilise £1.6 million of MHCLG grant funding, which is required to be spent by 31 March 2021.

101. **Environment –** The council is developing a long-term strategic fleet replacement plan, that will be both environmentally and financially sustainable. Members will be asked to approve this plan early in quarter four. In the interim, the residual approved fleet replacement capital budget 2020/21 will be utilised for the acquisition of priority fleet vehicles.

102. **Resources** – second half of the year spend includes the estates and accommodation strategy (approved November 2020) and investment in organisational design.

Capital investment programme – financing

103. The council has refinanced its capital investment programme significantly in response to the revenue budget pressures. This process has focussed on switching capital reserve allocations within projects to alternative funding sources (for example, community infrastructure levy or prudential borrowing). As a result of this work £2.8 million of capital reserves (built up from historic revenue budget contributions) are released from the capital programme and are available to support the 2020/21 revenue budget. In addition, a further £19.6 million of capital reserve previously allocated to the capital programme has been earmarked to support the 2021/22 revenue budget.

104. In choosing to undertake additional prudential borrowing the council is mindful of the CIPFA Prudential Code, which restricts the use of prudential borrowing to capital spend, and only where affordability of annual borrowing repayment costs can be demonstrated. Provision has been made within the MTFP for the new annual borrowing repayment costs. In doing so the council is taking advantage of

comparatively low interest rates available from the Public Works Lending Board (PWLB) and linking expenditure to the timing of the benefits received.

105. Figure 7 below summarises the revised funding profile for 2020/21 planned capital programme. It demonstrates the impact of significant new external capital grant secured by the Council – including transforming cities fund, challenge fund and additional pothole grants. It is worth noting that in addition to these, the council has so far submitted around £43 million of new external capital grant bids this financial year (including the successful £26 million in total for Boscombe towns fund). Of the remainder, £12 million of bids have been successful, with other bids pending outcomes. Unfortunately, £3.5million of bids in respect of DLEP pipeline funding for regeneration projects were unsuccessful (equivalent to only 8% of the total capital bids submitted to date).

Figure 7: Capital investment programme financing

	£000
Government grant	71,495
Third party receipts	473
s106 developer contributions	4,078
CIL	1,514
External Funding Contributions	**78,010**
Capital fund (revenue funding for capital)	6,350
Capital receipts	664
Earmarked reserves	5,724
PRU borrowing - funded from HRA land transfers	3,588
PRU borrowing - repaid annually through the MTFP	34,323
BCP Funding Requirement	**50,649**
Capital Investment Programme Funding	**128,659**

Capital Budget Virements

106. In accordance with BCP Financial Regulations, the following capital budget virement requires **Cabinet** approval, as in excess of £0.5 million but below £1m.

Cabinet is asked to approve a £552,000 reduction in DLEP funded A338 Wessex Fields Link capital project. This project is now forecast to complete under original budget as a result of contract target price refinement for the extension works. All outputs and outcomes from the original approved scheme are still expected to be achieved.

107. In accordance with BCP Financial Regulations, the following capital budget virement requires **Council** approval, as in excess of £1m.

Replacement of up to £1.8m borrowing currently approved as funding for Carter Community School with DfE basic need grant funding received but not yet utilised. This approved borrowing would remain earmarked as funding to support other school capital projects (previously funded from basic need grant) within the Children's Capital Strategy. This reflects the need to align the profile of expenditure with government grant conditions.

108. The chief executive and chief finance officer in November accepted due to urgency, a capital grant from MHCLG of £1.6 million that would in normal circumstances require the approval of Council. Expenditure is to be incurred by 31 March 2021 on the acquisition of properties to help our homeless cohort receive the

accommodation and support they need to move into independent living and away from the streets. This successful bid provides funding towards the council's new temporary accommodation portfolio budget already included in the programme. Funding within the portfolio includes supported borrowing, with repayments met from the rental income stream. The capital grant is further supported by £0.3 million of revenue grant funding.

109. In consultation with the chief finance officer, also due to urgency, the Service Director Growth & Infrastructure accepted grant funding of £1.1 million from the DfT for Tranche 2 Emergency Active Travel Plan. This funding consists of £0.85 million capital grant and £0.2 million revenue grant that must be committed by 31 March 2021 and spent by 31 March 2022. The grant will provide funding for a programme of new investment to further improve active travel in the area. The Council is required to publish formal public consultation plans on its website by 11 December 2020.

Housing Revenue Account (HRA) monitoring 2020/21

110. The 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.

111. 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.

112. The impact of the pandemic was initially expected to reduce HRA revenue collection by an increase in number of void properties leading to lower levels of rent charges raised. To date this has not happened but there continues to be a risk for income collection from the economic impact for tenants. This continues to be closely monitored.

113. Any changes to the revenue forecast from an otherwise balanced position is reflected in either an adjustment to the revenue contribution to capital or a call on HRA reserves within the ringfence.

114. Planned works in people's homes were delayed in the first lockdown period and this is likely again in November. Maintenance programmes are estimated to be reduced by approximately £1 million across both neighbourhoods and this unused budget will be carried forward within the programme. Additionally, as reported last time there have been significant delays in some of the major capital projects planned for this year. These projects will be rephased with £12 million of slippage into future years. This slippage results in lower borrowing requirement for the HRA in 2020/21 as reserves will be used to fund the capital programme.

Bournemouth neighbourhood

115. Appendix C1 provides the detail of revenue and capital budget monitoring statements for the Bournemouth neighbourhood.

Revenue account

116. There are no material variances currently projected, with rents receivable being maintained against plan. There are some support cost and repairs savings as a result of the lockdown, although in the case of repairs it is hoped that much of the work can be caught up.

Capital programme

117. There is a relatively small underspend of £0.2 million in respect of programmed kitchen and bathroom works to be carried out this year. By far the biggest variation is in the development programme, where the closedown of sites has had a material impact, slipping the programme by £5.9 million. These delays are likely to have an impact on the phasing of the programme into future years.

Poole neighbourhood

118. Poole Housing Partnership (PHP) prepare the budget monitoring information for the Poole neighbourhood with the end of September position reported on 20 October to the PHP Board.

119. Appendix C2 provides the detail of revenue and capital budget monitoring statements for the Poole neighbourhood.

Revenue account

120. As for the position reported at the end of June, there are no material budget variances currently projected for the revenue account.

121. The rents raised for the first half of the year are slightly ahead of budget at 52%, with voids recovering to budgeted levels in the second quarter with right-to-buy activity restarting. Collection rates are being maintained but will remain a risk over the second half of the year.

Capital account

122. The February 2020 report to Council agreed a £21.4 million capital programme for the HRA in 2020/21. This budget included carry forwards from 2019/20 of £0.45 million. Additional carry forwards were identified at outturn totalling £0.23 million due to delayed roofing, door replacement and fire risk assessment work. This brings the revised budget for 2020/21 to £21.6 million.

123. The projected outturn is a shortfall in the programme of £7.4 million (the same as reported at June) with by the end of September £2.3 million spent. This equates to sixteen per cent of the annual projection of £14.2 million.

124. The main projected expenditure variances against the revised budget are as reported last time with only small changes identified in the below:

- £3.1 million delay in redevelopment of the 4 tower blocks in Poole Old Town. The property buy backs within the project are expected to be completed this year, but the delivery of works has been re-phased.
- £1.2 million delay in the Herbert Avenue scheme. Planning has been agreed with only approximately half the annual budget expected to be spent this year.

- £1.1 million delay for in fill projects with the development team currently forecasting only minimal spend against this budget in 2020/21 while potential opportunities are assessed.
- £0.8 million delay in planned maintenance from reduced ability during the pandemic to access properties during the first quarter with catch up unlikely. The £0.1 million further delay since June is for external building and fire risk works.
- £0.4 million delay for Cynthia works with the majority of the project re-phased to 2021/22.
- £0.35 million delay in retro fit of sprinklers with re-phasing of the programme.
- £0.3 million delay for Hillbourne school development with only minimal spend forecast this year.
- £0.15 million for the completed Canford Heath scheme with the retention now due next year.
- (£0.1 million) unplanned spend on sheltered schemes emerged in quarter two for the replacement of smoke detector heads which will be funded from the contingency.

Medium Term Financial Plan Update and 2021/22 Financial Strategy

125. The Budget Monitoring & Medium-Term Financial Plan (MTFP) report to Cabinet on the 11 November 2020 provided a comprehensive update following the fundamental annual rebase which took place at the end of August 2020 and further to the appointment of the new conservative administration. The November report included details of the budget timetable, the key financial planning assumptions, and the savings being assumed. A key item was the inclusion of a financial strategy which set out the themes and categories the council will now look to further develop as a means of delivering a robust and lawfully balanced budget for 2021/22. Specifically included in the strategy was the repositioning of the councils Capital Investment Programme (CIP) and refinancing several projects via the use of borrowing with the process designed to release previously set aside revenue resources.

126. The purpose of this report is to provide councillors with a further update, specifically setting out progress within any of these themes and categories. The ongoing legacy of the coronavirus global pandemic will mean unprecedented levels of uncertainty in determining the costs that will need to be met in the next financial year and in predicting the levels of income that will be achieved.

Spending Review

127. In setting the budget for 2021/22 it has now been confirmed that this will not be within the parameters of a three-year Government Spending Review which would normally provide a degree of certainty to the council financial planning framework. Disappointingly but understandably the Government announced in late October that due to the need to prioritise their response to Covid-19 they would be conducting a one-year review in November to set departmental revenue and capital resources for 2021/22.

128. On Wednesday 25 November the Chancellor announced his spending review which focused on three areas.

1. Providing departments with the certainty they need to tackle Covid-19 and deliver a plan for jobs to support employment.
2. Giving vital public services enhanced support to continue to fight against the virus alongside delivering first class frontline services.
3. Investing in infrastructure to deliver ambitious plans to unite and level up the different areas of the country, drive economic recovery and build back better.

129. It is important to stress that due to the timings for production of this report it has not been possible to consider the impact of the review on the position as outlined in this report. That said some of the announcements that can be anticipated to impact on the Councils budget for 2021/22 include;

- Government's national strategy for Council Tax in 2021/22 will be the expectation that Local Authorities apply the annual referendum threshold of 4.99% made up of a basic annual referendum threshold of 1.99% plus 3% for a social care precept. Clearly the Government continue to promote council tax increases via the social care precept as the main funding mechanism for social care.

- To protect jobs and ensure fairness with the private sector the Government proposes that pay rises in the public sector will be restrained and targeted in 2021/22. Specifically, resources will be targeted towards those public sector workers who earn less than £24,000, who will be guaranteed a £250 increase.

- The National Living Wage will be increased by 2.2% to £8.91 per hour for 2021/22 and extended to those agreed 23 and over.

- The £1 billion social care grant provided in 2020/21 will be maintained into 2021/22 along with all other social care funding including the Better Care Fund.

- New grant funding of £300 million for adult and children's social care will be provided in 2021/22.

- The government will provide £254 million of additional resource funding to tackle homelessness and rough sleeping in 2021-22, a 60 per cent cash increase compared to SR19, to bolster vital accommodation, substance misuse and frontline support services.

- Revenue Support Grant for 2021/22 will be an increase in line with inflation from 2020/21.

- The existing New Homes Bonus scheme will be extended for a further year with no new legacy payments.

- Local government will receive around £3 billion additional funding for Covid19 in 2021/22, of which;

    - £1.55 billion of un-ringfenced funding for the pressures that are expected to emerge in the first few months of 2021/22.

- £670 million to enable local authorities to continue reducing the council tax bills for those least able to pay including households affected by Covid19 by way of the local council tax support (i.e. a repeat of the 2020/21 Hardship Fund).

- The sales, fees and charges (SFC) compensation scheme being extended into the first 3 months of 2021/22 (which refunds 75% of eligible income loss beyond a 5% threshold).

- The introduction of a new reimbursement scheme, worth £762 million for 2020/21 local tax losses, to be launched to compensate councils for 75% of irrecoverable loss of council tax and business rates revenues in 2020/21. To be paid through an un-ringfenced grant.

- In addition the government announced the outcome of the consultation on reforms to the Public Works Loan Board (PWLB) lending terms designed to end the use of the PWLB for investment property bought primarily for yield, which presents a risk for both national and local taxpayers. The government will cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate. This will restore the PWLB interest rates back to the levels they were before October 2019.

Influence and Lobbying

130. As part of the Councils attempt to better understand the Governments position, to influence the agenda, and to understand the approach being undertaken by other local authorities a series of roundtable discussion where held between the Leader, the Chief Executive, Chief Finance Officer and several leading sector experts, namely.

  - Rob Whiteman, Chief Executive CIPFA
  - Paul Dossett, Partner, Public Service Grant Thornton UK LLP
  - Sarah Pickup, Deputy Chief Executive Local Government Association
  - Sean Hanson, Chief Executive Local Partnerships

131. The outcome of the series of meetings was an endorsement of the council's corporate strategy, ambitions for transformation, financial planning framework and an encouragement to focus on several specific high-profile areas, such as regeneration and housing, that will make a real difference to the local community. Other reflections included

  - Challenge related to existing scale and pace of any housing and regeneration ambitions and potential vehicles being used elsewhere.
  - Need to ensure strong, robust and proportionate governance around any vehicles used to support such ambitions.
  - Ability of the pressures associated with children's services and other demand lead services to destabilise budget planning.
  - Consideration of income and taxation opportunities.
  - Endorsement of the application of the flexible use of capital receipts to fund transformation costs before 1 April 2022.

- Endorsement of the potential to explore vehicles to generate maximum value from council assets that will become surplus as part of the estates and accommodation strategy.

Portfolio Holders, Corporate Directors and Service Directors review of MTFP

132. The initial stage of the endorsed financial strategy was a detailed review, test and challenge of the assumed cost pressures, savings proposals, requested service investments and fees & charges proposals. This process was designed to ensure the robustness of the estimates being used to underpin next year's budget concluded on the 25 November 2020 with the key changes through this review process being identified as follows;

Items having a positive impact on the 2021/22 budget

- HMRC have confirmed that the reduction to 5% of the standard rate of VAT that will apply in the hospitality and tourism sector until the 31 March 2021. This will mean the Council will receive a one-off benefit of additional income in 2021/22 were charges and invoicing span financial years.
- Updated business plan for the bereavement service with the removal of the income pressure following implementation of a proposed change to a more competitive fee recovery model.

Items having a negative impact on the 2021/22 Budget

- Significant additional investment required in adult social care services due to the predicted legacy impact of the hospital discharge programme which will consequentially mean the council is funding a higher number of placements and at a higher-than-normal cost. For example, The Council is having to fund 66 individuals under the mental health hospital discharge programme with the Council being required to cover the costs as soon as they leave the hospital environment. Ongoing discussion continue as to the extent to which the Clinical Commissioning Group should contribute to these costs.
- In addition, the Council has recently invested in a new preparing for adulthood team set up to understand the support needed for young people in care as they transition into adulthood. As part of this programme additional cost pressures have been identified as a result of a more detailed case by case review of the young people.
- Investment in children's services has been included to support the implementation of consistent and safe practices throughout all areas. The major part is to strengthen the staffing resource required on an ongoing basis to sustain the improvement, but this will be reviewed as the service makes progress over time. The MTFP includes later savings as a result of this investment from supporting children with fewer placement breakdowns, and more security and a lower cost service overall.
- Council on the 24 November approved the delivery of the estates and accommodation strategy to enable the organisation to reduce its exposure to a large and inefficient office accommodation estate, whilst at the same time supporting the development of a single council identity. This strategy is one where staff work in modern and flexible ways, delivering services that are transformed in order to be as customer focused and financially efficient as possible. This requires a capital investment of £5.7 million and an investment

in one-off revenue costs of £0.9 million. Looking at the impact on 2021/22 an additional investment of £382,000 will be required acknowledging both borrowing costs and one-off revenue costs.

Refinancing of the Capital Programme via borrowing

133. As previously highlighted the financial strategy set out a proposal to refinance several capital projects using borrowing with the purpose of releasing resources which can be used to support the 2021/22 budget of the council. Examples of such schemes were the ICT investment plan and the transformation programme.

134. Work has been ongoing to consider other such schemes one of which is the Poole Bay beach management plan. This scheme approved by Council in October 2020 requires a £3.3 million local contribution to lever in £33 million of third-party funding. To support the local contribution the council set aside £780,000 up-front with an annual revenue contribution to capital of £360,000 being made from 2020/21 onwards.

135. The proposal is to now release the £1.5 million set-a-side resources with the local contribution, now funded by borrowing, pushed back until 2025 at the earliest. This approach will also allow other funding sources for the local contribution to be explored including the Community Infrastructure levy (CIL).

Rephasing of Collection Fund Deficits

136. On the 5 November 2020 the Government laid before Parliament the Local Authority (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 which gave effect to the three-year phasing of local tax deficits as originally considered in the Governments July 2020 comprehensive plan to support local authorities through the pandemic.

137. These regulations mean that council tax and national non-domestic rates deficits arising in the 2020/21 financial year are now required to be spread evenly over the three years 2021/22 to 2023/24. The Council cannot opt out of this deficit phasing or adopt a different repayment profile. This provision does not however include any surplus or deficit carried into 2020/21 which will need to be distributed in the normal way.

138. As set out in the approved financial strategy the council's intention is to take all possible advantage of the system to allow council tax and business rates tax deficits to be repaid over three years instead of one. The actual amount to be rephased will be based on an estimate provided to Government in January 2021. The intention is to review the flexibility this approach provides as part of the budget report in February 2021. This will allow further evidence to be collected of the impact of the pandemic on council tax and business rates collection yields and to better understand the link with the subsequent spending review announcement. Until this point it is proposed that the Council continue to assume that it will set aside resources in 2020/21 to cover the deficit repayments in future years.

Ongoing review of inherited resources and provisions

139. This work focused on a review of resources and provisions inherited from predecessor councils relating to s106 deposits and the community infrastructure levy receipts. The purpose was to establish if there has been consistency in how they have been used and to determine the extent to which they should have been applied to historic capital expenditure. The first phase of this workstream has

identified that as much as £4.8 million would be available to support historic expenditure as set out in Appendix D1.

140. Included within the £4.8 million historic expenditure is the application of £0.7 million of CIL to the legacy Christchurch play schemes. This is in accordance with the approved CIL 123 List for open space, green infrastructure and recreation, but reflects a change in priority from heathland, transport and education, which is necessitated by the financial impact of the current pandemic. The matter of heathland mitigation in the former Christchurch Borough Council area remains an overarching priority for use of CIL monies for all the BCP Council area to ensure compliance with the Habitats Regulations and sufficient overall monies are available to put in place required mitigation in line with the pace of housing growth in the area.

141. In addition, it has been identified that the Council can now release a further £350,000 from the review of the historic amount that make up the capital fund.

Review of Third-Party Contributions

142. The endorsed financial strategy identified that work was ongoing to ensure that third party contributions towards costs were maximised. At this stage provision has been made for and additional £0.8 million contributions towards known programmes of care.

November 2020 Updated MTFP Position

143. Figure 8 below sets out a summary of the current funding gap position in respect of the 2021/22 Budget.

Figure 8: Funding gap 2021/22

£m	Details
37.2	**Sub-Total Funding Gap for 2021/22 (Net)**
(8.8)	Service Savings – Assumed Programmed
(15.0)	Transformation Savings Target 2021/22
13.4	**November Funding Gap for 2021/22**

Updates / Mitigations	
	Items having a positive impact on the 2021/22 Budget
(4.8)	Review of inherited Resources
(1.5)	Rephasing of the Capital Programme by borrowing
(1.5)	Review of MTFP – ASC reduced pressures (Learning Disability etc.) and ASC demographic growth (population estimate)
(1.1)	Review of MTFP – Culture and Destination
(0.8)	Third Party Contributions towards costs
(0.5)	Review of MTFP – HMRC change of VAT rate until 31 March 2021
(0.5)	Review of MTFP – Bereavement service business plan
(0.5)	Public Health contribution
(0.3)	Review of MTFP – ASC demographic growth (population estimate)
(0.3)	Review of Capital Fund
(11.8)	**Sub-Total**
	Items having a negative impact on the 2021/22 Budget position
4.5	ASC preparing for Adulthood & MH hospital discharge programme
3.0	Children's Improvement Plan required investment
0.4	Council approved Estates & Accommodation Project
0.3	ASC transport
0.3	Estimated reduction in summons income in 2021/22
0.1	Street lighting PFI contract
0.1	Environment & Community
8.7	**Sub Total**
10.3	**December Funding Gap for 2021/22**

144. The intention is that the Council will continue to explore the themes and categories set out in the Councils financial strategy with a view to enabling a balanced and lawful budget for 2021/22 to be set at its meeting in February 2021.

145. Figure 9 below summaries the latest MTFP position of the authority. It should be noted that this table is presents on an absolute, rather than incremental, basis.

Figure 9: Latest medium-term financial plan

	2021/22	2022/23	2023/24
Position prior to legacy Covid position	**28.6**	**49.0**	**66.6**
Service Investments	2.4	2.4	2.4
Transformation Revenue Costs	3.5	4.0	4.5
Service Savings – Assumed / programmed	(11.7)	(11.7)	(11.7)
Council Tax – Annual uplift (Harmonisation / 2.99%) & Tax Base	(4.5)	(12.3)	(20.3)
Business Rates – Annual inflationary uplift	(1.1)	(2.2)	(3.3)
One-off - Collection Fund – surplus 2020/21	1.4		
Position prior to legacy Covid position	**18.6**	**29.2**	**38.2**
Covid19 – Sales, Fees and Charges	15.9	8.3	4.0
Covid19 – Core Income	12.2	6.1	3.2
Covid19 - Costs	1.2	0.6	0.6
Current Base MTFP Position	**47.9**	**44.2**	**46.0**
Revenue contribution to capital	(2.0)	(2.0)	(2.0)
One off - Residual capital funding & previous capital contributions	(1.2)		
One off - Other Scheme refinanced from borrowing	(2.5)		
One off - Refinancing of schemes from developer contributions	(4.8)		
ICT Investment Plan Resources One-Off & funding obligations	(1.3)	0.3	0.3
Transformation Fund Resources One-off & funding obligations	(10.8)	8.1	3.0
Net Funding Gap – Before Transformation	**25.3**	**50.6**	**47.3**
Transformation Saving Target 2021/22	(15.0)	(24.1)	(33.2)
Net Funding Gap	**10.3**	**26.5**	**14.1**

146. The MTFP schedule of absolute totals for the 3 years is included in appendix D2.

Local Council Tax Support Scheme (LCTSS)

147. No changes are proposed to the Local Council Tax Support Scheme for 2021/22 which will mean a consistent policy has been applied by the Council from 1 April 2019 onwards.

148. It should be highlighted that as part of the government's response to Covid19 the Council was allocated £3.1 million to credit the council tax accounts of working age claimants with a recommended minimum £150 for this financial year. This will include the new LCTSS accounts resulting from the 14% increase in the cost associated with working age claimants between March and August 2020. There is no indication that the government will provide for a similar support mechanism in 2021/22.

149. Ongoing consideration is being given to potentially consulting during the spring and summer of 2021 on a revised scheme for 2022/23 onwards.

Discretionary Business Rates Relief Policy.

150. Section 47 of the Local Government Finance Act 1988 provides Councils with the discretion to award business rates relief (up to a maximum of 20% in respect of registered charities/ Community Amateur Sports Clubs (CASC) and up to 100% in respect of other organisations). The 1988 Act originally specified the relief was only for Charities and Not for Profit organisations. However, the Localism Act 2011 broadened the Councils powers under section 47 to allow any relief, but only if it is satisfied that it would be reasonable for it to do so, having regard to the interests of the council taxpayers.

- A registered Charity / CASC meeting the legislative criteria will receive mandatory relief of 80%. The Council can top this relief up with a further 0 - 20% to give up to 100% rate relief.
- A Not-for-Profit organisation that meets the legislative criteria does not receive Mandatory Relief, but the Council can award between 0- 100% relief.
- No relief has previously been awarded in the BCP area to a ratepayer that is not either a charity, not for profit organisation or targeted in a fully funded government scheme.
- BCP Council is required to fund 100% of any Discretionary Business Rate relief granted. The cost of mandatory relief is shared between the Government and the Council.
- The Government has also provided for several relief schemes using this piece of legislation as an enabling tool i.e. Retail Relief, Revaluation Relief, Pub Relief etc.

151. BCP Council is required to operate a single discretionary business rate relief policy. The Bournemouth, Dorset and Poole (Structural Changes) Order 2018 stipulates that such a policy must be in place and operational from 1 April 2021 at the latest. The proposed policy in Appendix E1 has been developed having regard to the legislation, existing schemes and government guidance.

152. In order to facilitate the delivery of a single discretionary business rate policy the Council issued a letter to all current discretionary business rate relief recipients in March 2020 giving them the required full financial year's notice of a potential change from 1 April 2021 onwards. The Council then undertook the necessary proportional consultation between 28 August to 25 September 2020. A summary of the consultation responses is set out at Appendix E2 and an equalities impact assessment in Appendix E3.

153. The proposed policy looks to target support towards those organisations which make the maximum contribution towards the community. It is anticipated that most of the existing recipients will continue to receive discretionary business rate relief especially the smaller operators. However, it is recognised that some existing recipients may no longer qualify for support or have the level of award reduced. The £4,000 cap ensures the affordability of the scheme in aligning to an existing policy of a predecessor Council. A "discretion" clause provides a mechanism for the Council to continue to support current recipients receiving awards over £4,000 which are mainly a couple of Cultural/Leisure Organisations. This clause will allow the Council to continue to provide relief while the relevant Council service consider moving their support to a grant. This is considered a more transparent and a better mechanism for monitoring performance against the Councils objectives. The policy also articulates the Councils appeals process.

154. In addition, the new policy will require existing recipients to be mindful of the Councils strategic direction and ensure that they recognise this when providing their services. This includes an explicit requirement for them to demonstrate in their applications their commitment to the Councils Care Experienced Children and the Armed Forces Covenant.

Scenario planning

155. Services consider previous and current year trends in estimating budget requirements over the remainder of the financial year with the most likely scenario taken forward in year-end financial projections.

156. There remains the risk that the financial impact of the pandemic could be better or worse than current projections. A significant resurgence of Covid-19 in the remainder of the year could lead to further lockdown measures. In this case, we would expect government support to also increase to limit the impact on the annual position.

157. It should be noted that since the last update there has been highly positive news in relation to the development of vaccines that will materially impact the longevity of the pandemic. Future years impact assumptions will be under review as more information becomes available.

158. The MTFP assumptions have continued to be refined over the autumn with options considered, and some work is still in progress. In addition, the implications of the government's spending review on 25 November need to be worked through in detail, including for the level of council tax, to establish a balanced budget 2021/22.

Summary of financial implications

159. This is a financial report with budget implications a key feature of the above paragraphs.

160. In respect of the 2020/21 in-year position the commitment towards new corporate priority expenditure as outlined in the 100-day plan will clearly need to be balanced against the significant in-year and future year challenge posed by the public health emergency.

161. The June Covid-19 2020/21 budget monitoring report to Cabinet highlighted that £1.1 million of the originally £1.4 million approved investment in corporate priorities would be held back to balance the 2020/21 in-year position. However, it was recognised that this investment would be the first budget to be restored should the financial position improve to the extent that the council no longer needs to drawdown on reserves to balance the annual position. The current projections indicate that a balanced position has not yet been restored with a drawdown from reserves of £0.2 million before the additional £0.4 million investment in the 100 plan is considered. Therefore, including this extra investment increases the current year end projected draw down on reserves to £0.6 million.

162. In considering approving this additional expenditure councillors will need to be mindful of the Councils financial position and the risks associated with both 2020/21 and future years. In doing so councillors will need to reflect on the unpredictable nature of the public health pandemic and the uncertainty it creates in the council's financial planning. A lower risk strategy would clearly be to refrain from such investments until such time as the level of uncertainty has reduced.

163. Councillors are also reminded that the External Auditor in his report to the Audit and Governance Committee on the 26 November highlighted that Covid19 represented an existential threat to the financial sustainability of many councils and that BCP inherited a lower level of reserves than some of its wealthier peers.

Summary of legal implications

164. The recommendation in this report are to ensure the council remains financially viable over 2020/21 with an improved prospect of balancing future year budgets.

Summary of human resources implications

165. There are no human resources implications from this report. The June Cabinet budget monitoring report included the implications of the current budget mitigation strategy.

Summary of sustainability impact

166. Different ways of working are continuing to reduce staff travel as included in the budget mitigation strategy. The accommodation strategy, and the smaller estate in future years will also lower pollution and energy consumption.

Summary of public health implications

167. The council is seeking to maintain appropriate services for the vulnerable as well as improve the sustainability of services important for the wellbeing of all residents.

168. The projected outturn includes a significant allowance for PPE to protect staff and residents to ensure compliance with all guidance to be issued by Public Health England over time.

Summary of equality implications

169. Budget holders are managing their in-year budget savings to minimise any adverse equalities issues.

170. In developing their final MTFP proposals, directorates will each undertake an equalities impact assessment which will be reviewed corporately and summarised for inclusion in the February 2021 report to Council.

Summary of risk assessment

171. There remains significant uncertainty in the length and depth of impact from the Covid-19 emergency over the remainder of the year. Three scenarios were considered in the early part of the year with now the most likely scenario taken forward and constantly updated to take account of the latest government guidance and emerging issues.

172. Further actions may be needed during the year if the financial impact grows beyond that currently estimated.

Background papers

173. 2020/21 Budget and MTFP report to February 2020 Council

https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=3726&Ver=4

174. Finance update report to 27 May Cabinet

http://ced-pri-cms-02.ced.local/documents/s17294/BCP%20Council%20Finance%20Update.pdf?LO=1

175. Covid-19 budget monitoring report 2020/21 to 24 June Cabinet

http://ced-pri-cms-02.ced.local/documents/s17802/Budget%20Rebase%20202021.pdf?LO=1

176. 2020/21 Budget Monitoring and Medium-Term Financial Plan Update to 11 November Cabinet

http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?MId=4617&x=1

Appendices

Appendix A1	Projected variances greater than £100,000 for 2020/21
Appendix A2	Revenue summary position 2020/21
Appendix A3	Budget report from the corporate director for children's services
Appendix A4	Budget report from the chief executive
Appendix B	Schedule of movement in reserves for 2020/21
Appendix C1	Summary of Bournemouth neighbourhood HRA for 2020/21
Appendix C2	Summary of the Poole neighbourhood HRA for 2020/21
Appendix D1	MTFP review of inherited CIL / s106 resources
Appendix D2	MTFP absolute totals
Appendix E1	Discretionary business rates relief policy
Appendix E2	Discretionary business rates relief consultation
Appendix E3	Equality impact assessment