

Poole – Financial Outturn 2018/19

General Fund Summary position

	Original Budget	Revised Budget	Actuals	Variance Before Reserves	Reserves Earmarked	In-year Variance
	£'000	£'000	£'000	£'000	£'000	£'000
<u>THEMES</u>						
People – Children	31,011	33,919	32,249	(1,670)	1,063	(607)
People - Adult Social Care	41,794	44,549	39,201	(5,348)	3,832	(1,516)
People – Other	1,588	2,052	1,321	(731)	448	(283)
Places	32,256	35,613	35,450	(163)	503	340
Business Improvement	2,787	4,535	4,442	(93)	603	510
Pensions	2,716	(987)	(1,012)	(25)	0	(25)
Surplus property costs	177	171	164	(7)	0	(7)
Fisheries and courts	319	319	397	78	0	78
Preparation for LGR	0	0	1,277	1,277	674	1,951
In-Year revised Allocations	(81)	(81)	13	94	0	94
Cost of Theme Controlled Services	112,567	120,090	113,502	(6,588)	7,123	535
Corporate Income & Expenditure						
Environment agency	204	204	204	0	0	0
Interest earned	(5)	(5)	(267)	(262)	0	(262)
Investment income (rent)	(2,101)	(2,101)	(2,380)	(279)	0	(279)
Revaluation financial instrument	0	0	4	4	0	4
Loss or (gain) on fixed assets	0	0	(30)	(30)	0	(30)
Pensions	0	7,049	7,049	0	0	0
Net Operating Expenditure	110,665	125,237	118,082	(7,155)	7123	(32)
Non Specific Grants and Taxation						
Revenue Support Grant	(1,725)	(1,725)	(1,725)	0	0	0
Extended Rights Grant (School Transport)	0	0	(17)	(17)	0	(17)
New Homes Grant	(1,777)	(1,777)	(1,777)	0	0	0
Compensation for National Initiatives Grant	(2,509)	(2,509)	(2,946)	(437)	262	(175)
Collection Fund Surplus Distribution	(1,046)	(1,046)	(1,046)	0	0	0
Tariff to Government (business rates)	13,116	13,116	13,116	0	0	0
Income from Business Rates	(27,332)	(27,332)	(27,332)	0	0	0
Business Rates Levy adjustment	0	0	109	109	0	109
	(21,273)	(21,273)	(21,618)	(345)	262	(83)
Pensions, Capital & Borrowing						
Revenue expenditure funded by capital	0	(6)	(6)	0	0	0
Revenue contribution to capital outlay (RCCO)	0	0	114	114	0	114
Borrowing repayment	2,940	2,979	1,039	(1,940)	1,940	0
Employers contributions to pension fund	0	11,754	11,754	0	0	0
Notional depreciation within cost of services	(12,297)	(11,513)	(11,513)	0	0	0
Notional pension and absence within services	0	(26,414)	(26,414)	0	0	0
Asset Impairment	0	(729)	(728)	1	0	1
	(9357)	(23,929)	(25,754)	(1,825)	1940	115
	80,035	80,035	70,710	(9,325)	9,325	0
Earmarked Reserve Movements	0	0	9,325			
Total	80,035	80,035	80,035			

Revenue Variances Greater than £100,000

People Theme – Children

Budget	Reason	December £000's	March £000's	Change £000's
CYP&L – School Transport	Additional travellers and changing pattern of provision.	160	300	140
CYP&L – CHAD*	Adaptation equipment delay, income from Health and unused contingency.	(150)	(252)	(102)
CYP&L – Employees	Recruitment lag for early help and general vacancies	(235)	(244)	(9)
CYP&L Income	Additional income from early years and support for schools	(192)	(211)	(19)
CYP&L	Variances < £100k	(26)	(170)	(144)
Total CYPL		(443)	(577)	(134)
Social Care - Fostering and Adoption	Looked after children moving out of residential into in-house fostering and adoption	0	286	286
Social Care – RCCO	Mobile working devises for Children's social workers	107	107	0
Social Care – Employees	Additional expenditure funded by training grant (below) and greater use of agency staff	55	105	50
Social Care – training income	Pan-Dorset Teaching Partnership Grant	0	(191)	(191)
Social Care	Variances < £100k	(55)	(292)	(237)
Total Children's Social Care		107	15	(92)
Total Commissioning & Safeguarding < £100k		17	(45)	(62)
Total Children's Variances		(319)	(607)	(288)

* CHAD - Children with Health and Disabilities

People Theme - Adults

Budget	Reason	December £000's	March £000's	Change £000's
ASC Learning Disability/ Mental Health	Change in needs of service users and high cost placements	739	546	(193)
ASC Long Term Conditions	Successful demand management for people with long term conditions	(1,729)	(1,617)	112
ASC Other	Employees / in-house services, with savings of £197k for Deprivation of Liberty identified in final quarter.	79	(319)	(398)
ASC Services & Commissioning	Main items are the additional cost of Out of Hours Service following review offset by savings on pooled equipment budget and other services	141	(125)	(266)
ASC Learning Disability/ Mental Health	High cost case refund from the NHS	(2,927)	(2,927)	0
ASC Reserve Transfer	Contribution to High Cost Placement Earmarked Reserve	2,927	2,927	0
Total ASC Variances		(770)	(1,515)	(745)

People Theme - Other

Budget	Reason	December £000's	March £000's	Change £000's
Housing - Employees	Reassessment of Service Head apportionment and other staff savings	(65)	(167)	(102)
Housing - Bad Debt Provision	Reassessment of bad debt provision	0	(284)	(284)
	Sundry variances < £100k	78	168	90
Total People Theme - Other Variances		13	(283)	(296)

Place Theme

Budget	Reason	December £000's	March £000's	Change £000's
Environment – Street scene	Additional roadworks following detailed inspections	256	199	(57)
Environment – Street scene	Fleet management system upgrade and highways software and equipment	161	161	0
Environment - Cabot lane improvement	Improvements to reach government standards for vehicle operating licence	158	120	(38)
Environment – Street scene	Employee savings	(171)	(336)	(165)
Environment – Income	Additional recycling, trade waste and other income	(257)	(267)	(10)
Environment – Income	Operatives charged to capital schemes	(331)	(254)	77
Environment – Street scene	Various - main items fleet £86k, grant match funding £74k, grounds £78k	0	382	382
Total Environment		(184)	5	189
Growth & Infrastructure	Planning Fees	0	(139)	(139)
Growth & Infrastructure	Flood and water management staff savings	0	(117)	(117)
Growth & Infrastructure - car parks	Additional costs £255k less additional income from car parks (£238k).	(100)	17	117
Growth & Infrastructure	Sundry net variances < £100k	67	200	133
Total Growth & Infrastructure		(33)	(39)	(6)
Culture, Community Learning and Tourism	Additional costs and reduced income across a range of services, partially offset by net staff savings in libraries and sports development	364	374	10
Total Place Variances		147	340	193

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Business Improvement Theme

Budget	Reason	December £000's	March £000's	Change £000's
Bereavement Service	Reduced number of cremations and loss of fees with additional costs	541	576	35
ICT Services	Main items are employees £61k and licenses £99k	68	304	236
ICT - licenses	Additional costs from partner withdrawal from pan- Dorset contract	170	164	(6)
Property Management	Building running and maintenance costs	0	103	103
Housing Benefits	Reduced caseload	(96)	(392)	(296)
Corporate Management	Strategy, communications, & Policy (employee and community safety savings)	0	(105)	(105)
Legal Service	Sundry small variances	107	(87)	(194)
Financial Services	Sundry small variances	(39)	(46)	(7)
Human Resources	Sundry small variances	10	(7)	(17)
Total Corporate Variances		761	510	(251)

Central Budget Area

Budget	Reason	December £000's	March £000's	Change £000's
Treasury Investment Income	Increase in Bank of England base rate, strong performance of investments and higher daily cash balances.	(173)	(292)	(119)
Investment Income	Additional rental income from corporate investments	0	(279)	(279)
Section 31 grant	Compensation for National Initiatives.	(61)	(175)	(114)
RCCO	Additional grant in final quarter transferred to Capital	0	114	114
Levy to Government	Increased business rates results in higher levy payments to Government in-year. Reduced income in Q4 to allow for appeals provision.	544	109	(435)
Use of Reserves	Increased levy met from in-year position.	(544)	0	544
Other	Sundry variances < £100k	(12)	(12)	0
Total Central Items		(246)	(535)	(289)

Dedicated Schools Grant (DSG)

1. The ring-fenced DSG for schools and central pupil expenditure was budgeted in 2018/19 at £97m. Unspent grant from prior years of £564k was carried forward in an earmarked reserve, along with a Council (pre DSG) reserve of £132k, making total reserves of £696k at April 2018. The 2018/19 DSG budget did not include any use of these reserves. The table below summarises the forecast outturn for 2018/19 which is a net surplus for the year of £690k. The change to a positive position over the final quarter is largely due to the final outturn for pupils with special educational needs & disabilities. The surplus DSG carried forward into BCP is £1.3 million.

Dedicated Schools Grant (DSG)

DSG Variances Outturn at March 2019	Dec £000's	March £000's	Change £000's
Special Educational Needs & Disabilities (SEND) (a)	923	5	(918)
Growth Fund (b)	(316)	(314)	2
Excluded pupils (c)	250	151	(99)
Net additional funding for nursery places (d)	(124)	(158)	(34)
Other expenditure	(38)	(53)	(15)
Additional High Needs DSG (e)	(321)	(321)	0
Total variance and reserves use / (addition)	374	(690)	(1,064)

Notes:

(a) The movement on SEND of £918k over the final quarter is high but does reflect the reduction of full year costs in some pupil placements. This includes for a high cost case (£250k per annum) previously included where responsibility is in dispute with another LA. Legal Counsel has advised the prospect of losing the case is low risk to Poole. The movement also includes a previous over estimation of annual costs where information from providers had been delayed (£300k). The surplus funding for early years identified following the January 2019 census has been used to accommodate the inclusion fund for this age group to relieve pressure on the high needs budget (£153k). The balance of the quarterly movement reflects net reductions from the timing or costs of new placements.

The annual balanced position also reflects the work, undertaken with the support of schools to implement the action plan to manage demand and reduce the average cost of placements.

(b) The annual position reflects fewer children than budgeted in schools eligible for growth payments from the October 2018 school census.

(c) The annual position reflects that the number of children excluded permanently from mainstream schools continued to rise over the spring and summer terms of academic year 2017/18. The exclusions in the academic year 2018/19 remain high but less than previously forecast for the spring term.

(d) Net additional funding for children eligible for the 2, 3 & 4 year olds free entitlements to nursery education.

(e) Poole's share of the national £125m additional DSG for 2018/19 to reflect the growing budget demand for children and young people aged 0 to 25 with SEND.

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Treasury Management

2. Details of the Council's performance in respect of its Treasury Management function is set out in the table below;

	Balance at 31/03/18 £m	Balance at 31/03/19 £m	Interest Rate %
Pool 1 - HRA Borrowing			
PWLB loan	81.2	80.8	3.78
Internal (temporary) borrowing	5.3	1.9	0.0
Total Pool 1 Debt	86.5	82.7	
Pool 2 - General Fund Borrowing			
Salix	2.4	1.7	0.0
External borrowing	7.5	7.5	0.97
Internal (temporary) borrowing	55.2	64.7	0.0
Total Pool 2 Debt	65.1	73.9	
Total Council Debt	151.6	156.6	

	Balance at 31/03/18 £m	Balance at 31/03/19 £m
Investments		
Local Authority Loans	19.5	7.5
Cash Plus Funds (AAA rated)	20.0	20.0
Money Market Funds (AAA rated)	2.2	12.6
Fixed Term Bonds	2.9	0
Cash at bank	0.7	0.7
Total Investments	45.3	40.8

3. In line with its approved Treasury Management Strategy the Council has invested the majority of its surplus funds in short term AAA rated funds (Cash Plus and Money Market Funds). This is a deliberate course of action to ensure funds are available to invest in accordance with new BCP treasury management strategy from 1 April 2019.
4. Interest received from treasury management functions for 2018/19 was £421k. This compares favourably with original budget interest of £152k. The additional interest earned arises from a combination of the Bank of England 0.25% base rate increase in August 2018, investment in Cash Plus Funds (with overall higher yield than traditional Money Market Funds), and general availability of more surplus funds than expected. Cash outlay during the year on both the Council's capital and revenue budgets was lower than anticipated.

Capital

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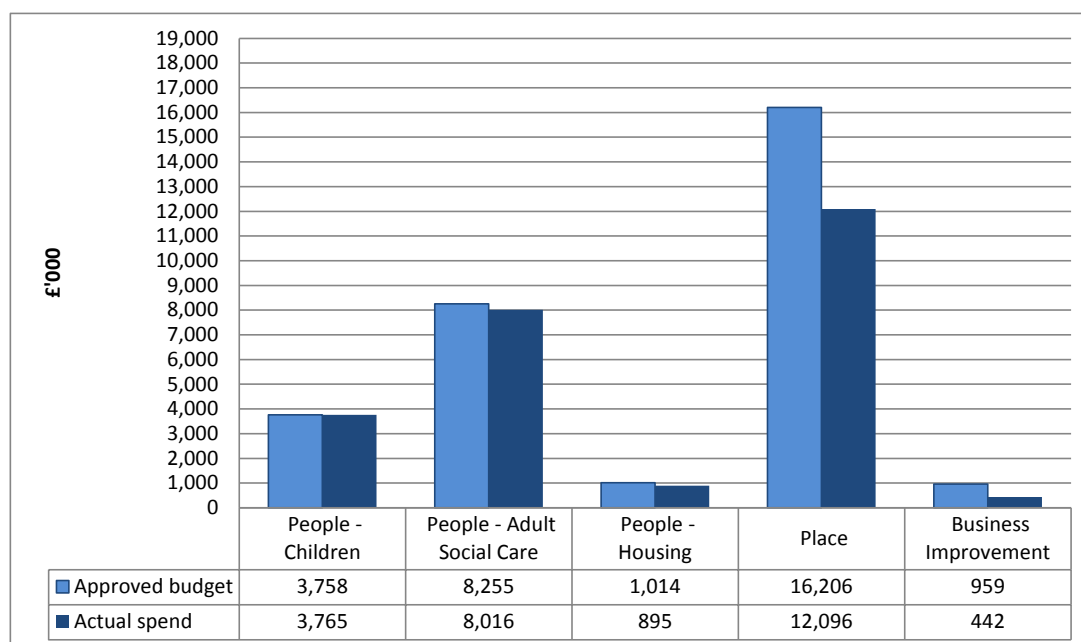
5. The Council invested £25.2m in its General Fund capital infrastructure during 2018/19 which represents 83.5% spend of the final approved resources. This continues to demonstrate the Council's success over recent years in maintaining a high rate of delivery as set out below;

Capital spend against December approved programme each year

	2014/15	2015/16	2016/17	2017/18	2018/19
December approved Programme £m	27.4	23.7	35.4	23.6	30.2
Spend £ million	23.9	22.7	33.2	22.3	25.2
% Spend against Programme	87%	96%	94%	95%	84%

6. Steady progress has been made in delivery of approved capital schemes across most of the Council's Themes. Final spend in the Place Theme reflects the latest delivery timelines of specific capital projects including fleet vehicle replacement, and parks and seafront development projects, with spend now rescheduled to 2019/20. The DLEP funded Townside Access Scheme planned spend in 2018/19 has also reduced by over £2m. Investment in the Council's ICT Investment Plan (Business Improvement) will continue into 2019/20. A summary of Portfolio performance is presented in the chart below:

Capital spend against final approved budget by theme 2018/19



7. Capital Expenditure – what has been achieved?

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A number of strategic priority schemes have successfully been delivered in 2018/19 including:

People – Children

- Winchelsea School Improvement Works.
- Phase one of Carter Community School expansion.

People – Adult Social Care

- Figbury Lodge – new care home construction expected to complete in early Summer.

People – Housing

- Continued investment in disabled facilities equipment to promote independent living.

Place Theme

- Investment in Poole's highways infrastructure – including DLEP funded improvements to Port of Poole' Townside Access.
- Heritage Lottery Fund aided improvements to Poole Park.
- Continued investment in Poole's frontline service fleet operations.

Business Improvement Theme

- Reconfiguration of the Civic Centre's Reception area, to ensure compliance with DDA requirements as well as improving customer service.
- Investment in the ICT infrastructure.

Housing Revenue Account (HRA)

8. The Housing Revenue Account for the period 1 April 2018 to 31 March 2019 has been prepared by Poole Housing Partnership (PHP).

HRA Revenue Account 2018/19

HRA Revenue	Budget £000's	Outturn £000's	Variance £000's
Dwelling Rents	(19,666)	(19,642)	24
Service Charges	(1,253)	(1,261)	(8)
Other Income	(275)	(279)	(4)
General Fund Contribution (a)	0	(197)	(197)
Revenue Income	(21,194)	(21,379)	(185)
Management Fee (b)	7,784	7,507	(277)
Utilities & Overheads (c)	2,242	2,126	(116)
Depreciation	4,704	4,797	93
RCCO (d)	3,333	3,876	543
Cost of Capital	3,134	3,073	(61)
Total Expenditure	21,197	21,379	182
(Surplus)/Deficit	3	(0)	(3)

Notes:

(a) This is a contribution from the General Fund towards the cost of buying back 2 properties which did not meet the HRA criteria but as much-needed 3 and 4 bed houses a contribution was made from General Fund s.106 funding.

(b) At the March PHP Board the management fee was reduced to the level forecast at quarter 3 with any additional surplus at year end added to the PHP reserves.

(c) The main variance within utilities and overheads relates to a reduction in the bad debt provision of £95k following a review.

(d) The Revenue Contribution to Capital Outlay (RCCO) is adjusted to reflect the net movements on income and expenditure across the HRA with the contribution above budget of £543k reflecting the favourable outturn position.

HRA Capital Programme

9. The February 2018 report to Council agreed a £14m capital programme for the HRA in 2018/19. This was then supplemented with carry forwards from 2017/18 and other adjustments totalling £3m, making the total capital programme in 2018/19 of £17m. The table below summarises the outturn position for the year.

HRA Capital Programme 2018/19

Capital Account £000's	Revised Budget £000s	Actual Outturn £000s	Variance £000s	Proportion Spent
Decent Homes	5,079	4,241	838	84%
Housing Projects	1,091	867	224	79%
Sterte	0	4	(4)	-
New Build In-fill	800	21	779	3%
Old Town Tower	120	213	(93)	178%
Sheltered Site	200	20	180	10%
Small projects	500	995	(495)	199%
Extra Care	0	23	(23)	-
Canford Heath	7,879	3,896	3,982	49%
Cynthia/Trinidad	300	460	(160)	153%
Sprinklers	1,000	8	992	1%
Other		35	(35)	-
Total	16,969	10,784	6,185	64%

10. Spend of £10.8m represents 64% of the revised budget for the year.

- The Decent Homes variance of £838k reflects planned maintenance savings of £309k from electrical works (reduced wiring of £240k) and other net savings. These savings will be returned to reserves. The balance of £529k is to be carried forward into 2019/20 to complete the electrical works, external works (including fire safety), roofing, and door replacement.
- Housing projects variance of £224k is largely due to delay in delivery of the new IT system and will be carried forward.
- The New Build In-fill variance of £779k reflects that the Northmead project did not proceed with new projects not yet coming forward. The Sheltered Site unspent budget of £180k for redesign works will be returned to reserves.
- The small projects budget is over spent by £495k. The budget includes the buy back of right-to-buy properties that meet the financial test with more opportunities taken up in 2018/19 than budgeted. The General Fund income of £197k noted above within HRA Revenue provides some offset to this capital budget variance.
- The Canford Heath variance of £3,982k is due to delays on site but the project is expected to be delivered on budget by June 2019.
- The Cynthia / Trinidad additional spend on the initial works are ahead of the budget profile.
- The Sprinklers variance of £992k reflects that most of the works will take place in 2019/20.

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Reserves

11. A summary of Earmarked Reserves at 31 March 2019 is included at Appendix C1. Members are reminded that the earmarked reserves include the amount set aside to support the planning and implementation of Local Government Reorganisation over 2018/19, grant expenditure defrayed over a number of years and delivery of specific projects.
12. The final outturn is an addition to earmarked revenue reserves of £4m providing a total carried forward of £19.9m. The change over the final quarter reflects the combination of lower expenditure at outturn than previously forecast and new grants received in the final quarter with amounts remaining unspent at March. It is also the result of a change in accounting treatment in preparation for consistency across BCP, where previously unspent ring-fenced grants (other than the DSG) and been treated as income received in advance rather than being included within earmarked reserves. A number of reserves have also been transferred to capital to reflect the nature of future spend
13. The year end position and movements greater than £100,000 since December 2018 are as follows:
 - £5.4m Support to MTFP Reserve: The annual increase is £3.2m. The change in the reserve since December reflects the allocation of additional grant in the final quarter to distribute the national surplus on the Business Rate account. The £0.3m allocation is being carried forward into 2019/20 to support the levy increase for BCP on a consistent basis with Bournemouth and Christchurch Councils. The balance of the annual movement is the £2.9m earmarked from Adult Social Care earlier in the year.
 - £3.4m LGR Fund: The outturn provides for a £0.7m addition to the reserve. In December, the brought forward reserve of £2.7m was expected to be fully utilised with forecast LGR costs of £3.1m also supported by the Council's in-year surplus. The change reflects that Poole's share of transition costs in 2018/19 was only £1.3m from savings in some areas and slippage of expenditure into 2019/20 for BCP. The surplus across services has been available to fund the transitional costs incurred in 2018/19 in full and enabled further earmarking of funds for this purpose in BCP.
 - £3.4m Grants Reserve: Grants carried forward into 2019/20. The main grants being carried forward include Housing grants £0.9m with some particularly late allocations, ASC £0.9m (commitments span financial years), and Troubled Families £0.5m. At December £1m use of grants was forecast rather than an increase in the reserve. This reflects to a large extent the change in accounting treatment with more unspent grant included in reserves rather than being shown as receipts in advance which as the approach adopted in previous years.
 - £3.4m Partnerships Reserve: This includes for schools funding and DSG £1.4m, Pan Dorset Adult Learning £0.9m and SVPP £0.9m. The reserves have increased by £1.5m during the year compared with the forecast reduction of £0.5m at December. Significant movements in the final quarter relate to the DSG (£1m change over the quarter with details above) and savings identified for other partnerships.

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- £2.7m Financial Planning Reserve: In December, the business rates levy payable to central government had been expected to be £0.5m from the estimated growth in 2018/19. Use of the reserve had been planned to match the timing of recognition within the collection fund accounts. The levy estimate reduced to £109k in the final quarter after establishing an allowance for appeals with a sufficient level of annual surplus available to cover the expected increased charge.
- £1.0m Priority Projects Reserve - £1m annual reduction as projects have been undertaken with creation of only a small number of new initiatives established in the year. The ICT investment element of the reserve brought forward has been transferred to capital reserves to reflect the spend profile.
- £3.5m Revenue Funding Capital Reserve previously included within revenue reserves has also been transferred to capital reserves.