CABINET

Report subject	**2021/22 Quarter One Budget Monitoring Report**
Meeting date	29 September 2021
Status	Public Report
Executive summary	This report includes 2021/22 budget monitoring information as at the end of June 2021. The projection for the 2021/22 revenue account is an overspend of £12.6 million within services. The application of one-off central resources reduces this to £7.6 million. A mitigation strategy has been developed against this sum should attempts to deliver services within the constraints of their original budgets prove unsuccessful. This position assumes full delivery of the £7.5m transformation programme savings target for 2021/22. At this stage £2.4m has been delivered and a full progress report will be included in the second quarter budget monitoring report once the savings from the council's smarter structures and third party spend programmes have been confirmed. The updated 2021/22 projections for reserve movements, the capital programme and housing revenue account (HRA) are also included.
Recommendations	**It is RECOMMENDED that Cabinet:** **1. Note the contents of the report** **2. Agree the acceptance of revenue grants in paragraph 62** **3. Agree the acceptance of capital grants in paragraph 73** **4. Request Council approve the £1 million allocation from the contain outbreak management fund (COMF) as set out in paragraph 55** **5. Request Council approve the capital virements as set out in paragraph 74**
Reason for recommendations	To comply with accounting codes of practice and best practice which requires councils to regularly monitor the annual budget position. To comply with the council's financial regulations regarding budget virements.

Portfolio Holder(s):	Councillor Drew Mellor, Leader, Finance & Transformation
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Decision

Background

1. In February 2021 Council agreed the annual general fund net revenue budget of £241 million, a capital programme of £125 million and the net use of reserves of £41 million. Budgets were also agreed for the housing revenue account (HRA).

Revenue budget monitoring at June 2021

2. The quarter one projection for the 2021/22 revenue budget outturn is an overspend of £12.6 million within services. The reasons can be summarised as follows:

   - £3.0m Covid pressures likely to be one-off in nature
   - £5.5m Ongoing Covid related pressures
   - £4.1m Ongoing service pressures

3. There is a saving of £0.2 million outside of services and it is proposed to offset these net pressures by the application of the following resources that naturally fall as one-off surpluses with the 2021/22 accounts:

   - £2.9m Refinancing of the capital programme resources (2020/21 outturn)
   - £1.4m Extra sales, fees and charges grant income confirmed for 2020/21
   - £0.5m Application of additional grant resource (COMF)

4. This reduces the overspend to a net £7.6 million. It should however be noted that this assumes the full £7.5 million transformation savings target for 2021/22 will be delivered. A full update on progress against this target will be included in the second quarters budget monitoring report. At this stage £2.4 million can already be confirmed as having been achieved in 2021/22 against this target.

5. As it stands the approach to the management of this potential pressure is to robustly encourage services to deliver within the envelope of their original 2021/22 budget. Should this be unsuccessful the mitigation strategy would be to drawdown on the following resources:

   a) The unused 2021/22 base revenue contingency currently predicated to be £2 million for 2021/22.

   b) The remaining £8.35 million in the tranche 5 Covid pressures grant.

6. Budget monitoring reports are remaining in the format of the 2021/22 budget approved at February 2021 Council, except for development services which have moved to finance within the resources area. Further changes to service structures are planned during the year and budgets will be recast as these are implemented.

7. The table below is a summary of the revenue outturn position by directorate as projected at the end of quarter one and before application of the one-off revenue resources noted above:

Figure 1: General Fund – Summary projected outturn as at 31 March 2022

Directorate	Revenue	Working Budget	Forecast Outturn	Forecast Variance
Adult Social Care	Expenditure Total	209,416	223,798	14,383
	Income Total	(93,648)	(106,031)	(12,383)
Adult Social Care		**115,768**	**117,767**	**1,999**
Children's Services (excl. DSG)	Expenditure Total	81,275	91,848	11,493
	Income Total	(12,025)	(12,945)	(920)
Children's Services		**69,250**	**78,903**	**9,653**
Place Operations	Expenditure Total	165,158	173,188	8,030
	Income Total	(95,284)	(102,983)	(7,699)
Place Operations		**69,874**	**70,205**	**331**
Resources & Chief Executive Office	Expenditure Total	150,535	152,243	1,708
	Income Total	(111,923)	(113,058)	(1,135)
Resources & Chief Executive Office		**38,612**	**39,185**	**573**
Net Cost of Services		**293,504**	**306,060**	**12,556**
Transformation (including target savings)	Expenditure Total	22,015	22,015	0
	Income Total	(23,590)	(23,590)	0
Transformation Total		**(1,575)**	**(1,575)**	**0**
Net Position within Services		**291,929**	**304,485**	**12,556**

8. The detail of projected variances is included in Appendix A1. A general fund summary forecast outturn is included in Appendix A2.

Summary of 2021/22 projected outturn by directorate

9. The following paragraphs summarise the projected 2021/22 budget position for each directorate.

Adult Social Care - net overspend £2 million (2%)

10. The highest contributor to the £2 million overspend is £1.1 million cost of care above budget from the hospital discharge arrangements introduced during the pandemic. Residential care continues to be at a premium because of market forces and home care packages are increasing in size to reflect that patients have greater health needs when discharged early from hospital.

11. The projections for older people remain volatile as the hospital discharge funding is reducing from six to four weeks. Not all clients can recover and regain independence within 4 weeks of leaving hospital and NHS therapy services do not have the capacity to support recovery. Packages of care that are picked up by BCP after the 4-week funded period will be larger and of higher cost because of this shorter recovery period and absence of therapy at home.
12. The shortage of home care availability is resulting in more residential care placements and higher numbers of people waiting for domiciliary care to become available, adding further uncertainty into the projection.
13. In addition, the unbudgeted management cost of the hospital discharge scheme is anticipated to be £0.3 million.
14. There is a £0.7 million projected overspend in packages of care mainly due to demand from people with learning disabilities and mental health needs. The projection includes provision for new cases as well as an estimate for the outcome of NHS funding disputes.
15. The reconfiguration of services delivered by our local authority trading company (Tricuro), a partnership with Dorset Council, is to deliver £0.2 million of new savings this year.

Children's Services - net overspend £9.6 million (13.9%)

16. Almost half of the projected overspend relates to the cost of care, with £4.3 million due to increased demand for all placement types, but specifically for children with very complex needs, and with rising costs for individual packages.
17. Currently, the eleven highest cost placements have an annual total cost of £5.5 million which is circa 25% of the budget and the addition of just one additional placement in this cost range has a significant impact. The increasing caseload regionally and nationally is straining an already difficult market, with this now receiving national attention particularly for areas of high deprivation. This budget risk for councils cannot be understated and longer-term solutions are being investigated.
18. The other area of significant pressure is staffing, with a total forecast variance of £5 million (52% of the overspend), arising from the use of higher cost agency staff and interim service improvement posts.
19. The current level of agency social workers against established posts is 28%, compared to a national average of 20% (in September 2020, latest position available).
20. In addition to the agency use against established posts is an extra 28.5 agency social workers over establishment. The planned reduction of these over established agency staff has commenced with the director for children's services requesting a reduction of 22 agency staff from the end of September onwards to reduce the overspend. A proportion of this reduction has been reflected in the current forecast variance.
21. The recruitment and retention strategy has been refreshed along with the campaign. Two specialist recruitment agencies are working with the council to enhance our impact within this extremely competitive market which reflect the national challenge for the recruitment of experienced social workers.

22. Within the staffing overspend is the cost of commissioned teams to carry out essential work to ensure appropriate timescales are met for the assessment of cases with the highest safeguarding risks. This has been necessary to prevent significant service deterioration due to a trebling of the statutory requirement, a high element of which can be directly traced to higher post-Covid demand levels.

23. There is also an element of non-achievement of the budget allowance for a level of vacancies in establishment posts as prompt recruitment in front line services continues to be essential to maintain service stability and improvements. In addition, savings have not been realised due to the delay corporately in restructuring business support functions and system support teams across the council.

24. There is a forecast £1 million pressure for special education needs (SEN) transport. This budget is traditionally volatile and challenging to project as it is demand led and impacted by numerous variables outside of the control of the council. Despite an increase in the budget from last year, there is further demand from the rising caseload of education, health, and care plans (EHCPs), from pupils with medical conditions and from those with challenging behaviour. The impact of places created locally in satellite special schools to cope with the rising EHCP demand has increased the number of journeys.

25. Other variances include the additional cost in the SEN team of legal support for work on tribunals of £0.1 million. A saving of £1 million is proposed in this report from switching the family investment fund budget to the contain outbreak management fund (COMF) ring-fenced grant.

26. A report from the corporate director of children's services to explain the financial position in greater detail is included in Appendix A3.

Place Operations – net overspend £0.3 million (0.5%)

27. The overall position for operations for quarter one is a net overspend of £0.3 million which is 0.5% of the £70 million net budget. The main pressures are Covid related (net £1.2 million) with some offset overall from other budgets (£0.9 million).

28. Covid pressures within environment services are income losses greater than allowed for in the budget. The projection includes a budget shortfall for cremations income of £0.7 million, due to reduced demand for services.

29. In addition, the reduction in trade waste income experienced last year from periods of lockdown and reduced commercial activity is on-going with a shortfall projected this year of £0.4 million.

30. Emergency accommodation placements, principally within local hotels and B&B accommodation, is forecasting a pressure of £0.35 million from the ongoing need to accommodate the rough sleeper cohort. This is in addition to the budget moved to the contain outbreak management fund (COMF).

31. Communities have been allocated a new grant for £0.478 million to support vulnerable residents in self-isolation but allocations from the COMF have already been agreed for this expenditure.

32. Across the remaining place operations there are smaller pressures and savings relating to the pandemic netting to a pressure of £0.2 million.

33. Non-Covid budgets across place services overall provide mitigation for pandemic pressure, although within communities delayed staff savings from restructuring add a further pressure of £0.2 million.

34. Environment are forecasting a net saving of £0.7 million. There are savings from trade waste of £0.7 million due to lower than budgeted tonnage and disposal costs. Additional income is predicted overall of £0.2 million from drop kerbs and green waste but reductions from trading activities. There are additional operational costs in generating the extra income and in other activities of £0.2 million.

35. Housing services are projecting additional income in telecare services of £0.3 million and an improved position for garages and photovoltaic income of £0.1 million, both identified from the outturn position last year.

36. Libraries expect an underspend against staffing budgets of £0.2 million due to vacancies within the service.

37. There are potential pressures not included in current projections within property maintenance revenue budgets currently held within housing services with work underway to establish how these will be managed during the year and over the medium term, with a paper coming forward to Cabinet in due course.

Resources & Chief Executive Office - net overspend £0.6 million (4%)

38. The combined position for both the resources and chief executive office is a net overspend of £0.6 million.

39. The largest ongoing Covid pressures is the loss of income in relation to council tax and business rates summons income. During lockdown courts were closed and although operating now there is backlog in court dates for the council which impedes the process of raising summons to taxpayers. This represents a total pressure of £0.3 million.

40. Outside of Covid related pressures there are a number of small overspends in several areas.

Transformation Savings

41. Transformation savings of £7.5 million have been built into the budget for 2021/22. At the end of quarter one £5.1 million of savings have not yet been identified for delivery. At this stage this shortfall has not been factored into the projected overspend for the year.

42. The corporate smarter structures project will deliver some savings towards the residual target, but it will take time to establish these as the outcome of the project is undergoing final review across services.

43. The third party spend project is underway with spend data being gathered and workshops being set up at pace with officers responsible for buying goods and services to look for savings opportunities. The deliverability and timing of savings will be established during the next phase of work, with the plan to identify quick wins by mid-September and medium- and longer-term savings following in the third quarter, along with an implementation plan.

44. A full update on progress against the £7.5 million transformation savings target for 2021/22 will be included in the second quarter budget monitoring report.

Central Items - net surplus £5 million (24%)

45. This includes a forecast underspend on interest payable of £0.2 million due to having higher cash balances than anticipated meaning the requirement for short term borrowing has been reduced.

46. Set out in the financial outturn report 2020/21 presented to Cabinet on 23 June 2021 there were a series of actions undertaken by the finance team to release revenue resources earmarked for capital to support the 2021/22 budgetary position. The total amount released is £2.9 million with the decision to be made at Council in September when the outturn report will be considered.

47. Government compensation for lost sales, fees, and charges during 2020/21 outturn totalled £12.6 million. After meeting the first 5% loss of income in full, losses above this level are funded by government at 75%. The outturn figure was based on an estimate where there remained some ambiguity in the calculation. Therefore, a risk factor was transferred to reserves of £1.4 million in case an amount needed to be repaid to government. Now the scheme for 2020/21 has concluded this amount can be released back into revenue for 2021/22.

Covid pressures grant 2021/22 - £9.9 million

48. Tranche five of the Covid pressures grant was allocated to councils to manage the extra costs from the pandemic. Funding is not ring fenced and it is for the council to decide how to support services.

49. The 2021/22 budget allocated £1.03 million from the grant to support specific service pressures. In other service areas, such as where demand was already rising before the pandemic and the specific impact not easy to quantify, allocations were expected to be made during the year with the use of the grant brought into the projected outturn at the same time.

50. Included within the budgeted expenditure are allocations for homelessness and PPE costs attributable to the on-going pandemic totalling £0.68 million and these are to be funded instead from the contain outbreak management fund (COMF). These costs meet the purpose of the ring-fenced grant. This has reduced the call on the tranche five grant from budgeted expenditure to £0.35 million, being for additional coroners' expenditure and the initial forecast for summons income shortfall.

51. After the budget had been set, new commitments were agreed for tranche five in the final quarter of 2020/21 totalling £1.193 million for resort management and summer resilience expenditure.

52. The amount currently uncommitted is £8.35 million as detailed below:

	£
Total Grant	9,893
Adults PPE	(350)
Quarter 4 allocations for resort management / summer resilience	(1,193)
Unallocated balance of tranche five	**£8,350**

53. The summary budget monitoring report in Appendix A2 includes that the above £1.543 million of tranche five funding will be spent during the year. At this stage

the residual £8.35 million is being held in mitigation of the current in-year predicted overspend.

Contain Outbreak Management Fund (COMF)

54. The balance of the 2020/21 COMF brought forward as uncommitted into the current year is £1.8 million. The director of public health has authority to commit expenditure within normal delegated limits and has committed further expenditure of £0.6 million with the balance currently £1.2 million. Individual items over £1 million require the approval of Council.

55. It is proposed that the £1 million family investment included within the children's services budget is funded instead from the COMF as it meets the criteria of the grant and is supported by the director of public health. This virement is shown in the projected outturn for children's services as a saving. As it is a virement of not less than £1 million it requires the **approval of Council.**

Reserves monitoring 2021/22

56. Earmarked reserves have been set aside for specific purposes and these were reconsidered in June 2020 in the light of the new financial environment and need to fund the transformation programme which is fundamental to delivering savings at scale.

57. Councils nationwide received significant Covid related grants during 2020/21 which have artificially increased all reserve holdings. Grants received in relation to business rates have particularly obscured the true reserve position due to the intricacies of collection fund accounting. The Council received £40.4 million for business rates in 2020/21 which will be paid back to the collection fund in 2021/22. In addition, £18.5 million was carried over from specific grants to be applied to pandemic spend.

58. Figure 2 below summarises the projected movement in reserves during the current financial year.

Figure 2: Summary of projected movements in reserves

	Balance 1 April 2021	Balance 31 March 2022	Movement
	£m	£m	£m
Un-earmarked reserves	15.3	15.3	0.0
Earmarked reserves*	153.8	50.4	(103.4)
Total reserves	**169.1**	**65.7**	**(103.4)**

These reserves do not include revenue reserves earmarked for capital or school balances.

*Earmarked reserves include:

- £60.1 million specifically in relation to Covid.

- £30.1 million to support the 2021/22 budget and £2.1 million towards the 2022/23 budget.

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

Financial Resilience Reserves

a) £25,106k **Refinancing of the Capital Programme Reserve – phase 1**
As per the approved 2021/22 budget reserve to be fully draw down

b) £4,748k **Refinancing of the Capital Programme Reserve – phase 2**
As per the approved 2021/22 budget reserve to be fully draw down

Transition and Transformation Reserves

c) £9,165k **Transformation Mitigation Reserve**
Drawn down as per the approved 2021/22 budget

d) £2,000k **Transformation – Contribution from outside General Fund**
Drawn down as per the approved 2021/22 budget

Government Grants

e) £39,512k **Covid 19 NNDR Section 31 Grants**
Monies received in 2020/21 to offset collection fund deficit payable in 2021/22

f) £1,402k **Covid 19 Sales, Fees and Charges Grant 2020/21**
Draw down of risk factor previously set aside in the outturn for 2020/21

g) £15,004k **Other Covid 19 Grants**
Assumed spend of all Covid related grants except in relation to Council Tax and NNDR

Dedicated Schools Grant (DSG) 2021/22

59. The 2021/22 budgeted high needs funding shortfall is £10.8 million, reducing to £9.7 million after a £1.1 million (0.5%) transfer of funding from the school block. Other DSG blocks have been set with balanced budgets with no surplus available to reduce the overall funding gap.

60. This budget is being monitored through the High Needs Block Deficit Recovery Board. The report to the Board in July indicated that the budget for the year would be achieved, realising the £9.7 funding gap, although there remains significant risk from data quality.

61. The accumulated deficit is expected to increase from £7.8 million at 1 April 2021 to £17.5 million by the end of the year as shown in the table below:

Figure 3: Summary position for dedicated schools grant

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2021	**7.8**
Budgeted high needs shortfall 2020/21	9.7
Projected in-year saving	0
Projected accumulated deficit 31 March 2022	**17.5**

Acceptance of revenue grants for expenditure in 2021/22

62. Two revenue grants requiring approval have been awarded for 2021/22 this quarter. Under the council's financial regulations grant funding awarded over £100,000 and up to £1 million requires the **approval of Cabinet:**

    Respite Rooms - £0.36 million

    Grant has been awarded to run a 12-month pilot scheme to provide an additional 12 single-gender bed spaces for people who have experienced trauma and socio-economic challenges. Key outcomes expected are a reduction in anti-social behaviour, improved community safety and lower incidents of domestic abuse. The pilot scheme will also enable a value for money financial comparison with the cost of current service provision.

    The pilot scheme will be run in partnership with Bournemouth Churches Housing Association (BCHA), which will provide the accommodation. Arrangements will be formalised by amendments to housing related support contracts. Pilot costs include for staffing, accommodation, clinical supervision, equipment, marketing and communications and an allowance for central overheads. Any staff recruited to deliver the pilot scheme will be employed on a temporary basis.

    The grant requires no council contribution and no exit costs are anticipated.

    Accommodation for ex-offenders scheme - £0.2 million

    The aim of this revenue grant funding is to reduce rough sleeping and reoffending by supporting ex-offenders into the private rented sector. In accepting this funding, the Council will need to have in place a clear referral process. The Council will utilise the grant to fund a landlord liaison post and to provide 25 financial incentive packages to house ex-offenders. This planned utilisation is in accordance with grant purpose.

Capital budget monitoring

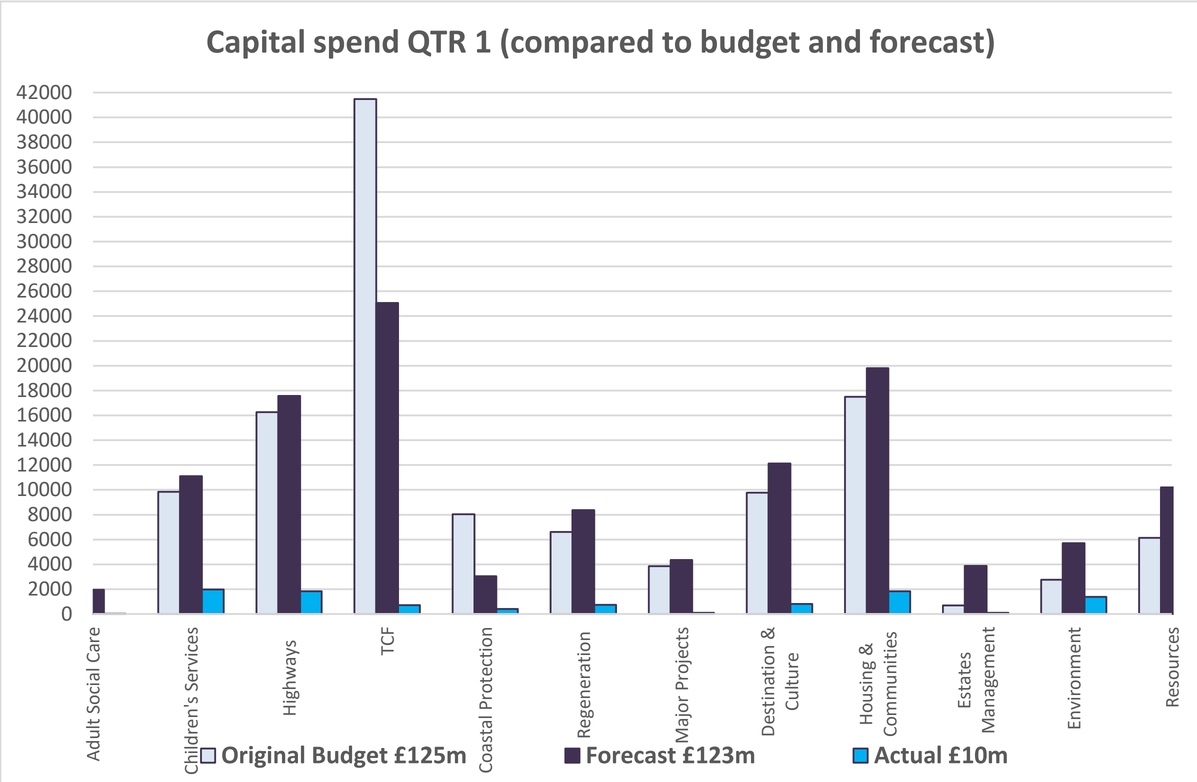
63. This report covers the council's budgeted capital investment programme (CIP) in respect of general fund capital expenditure only. Housing Revenue Account (HRA) related capital spend is reported separately within this report.

64. The original capital investment programme (CIP) budget approved by Council in February 2021 was £124.8 million. There have been amendments to the programme since, including the addition of new approved schemes and increases to existing schemes, together with the carry forward of unspent capital budget brought forward from 2020/21. These changes have resulted in a revised budgeted capital programme (as at end of June) of £123.2 million. The £123.2 million does not include capital projects still pending formal approval (for example the main fleet replacement plan) or capital budgets approved after 30 June 2021

(for example the homelessness hub). Planned spend also excludes the £50 million Futures Fund and £10 million SEND infrastructure loans until such time as specific capital projects to utilise this funding are approved and included within the CIP.

65. Figure 4 below reflects first quarter spend against latest full year forecast and original budget.

Figure 4: Capital Budget Monitoring at 30 June 2021



66. At £10.3 million, actual capital expenditure to date is 8% of June full year forecast of £123.2 million. First quarter capital spend is traditionally around 8% - 10% of June full year forecast. Both Covid-19 and Brexit have had significant impact on market conditions - including increases in raw materials prices, construction cost increases, and labour and material supply chain issues. This has impacted on delivery of the capital programme in various ways. There have been increases in tendered prices (to original estimates) across capital projects, reduced capacity to undertake works to planned timeline (because of labour supply issues) and in some cases a less than expected number of quotations / tenders returned for tendered works. Corporate Property Group are reviewing the financial impact of current market conditions on capital projects currently underway. Some cost increases are absorbed within risk / contingency allowance within approved capital budgets. Other price variations will require capital budget increases – to be funded from either BCP funds (e.g. s106 / CIL), external grant or additional prudential borrowing.

67. Project managers will, as with every year, be encouraged to review scheme progress on an ongoing basis throughout the year and advise where there are significant revisions. Based on this information reprofiling will be undertaken where necessary to reflect these changes within the CIP.

68. Narrative on main capital investment planned by directorate is provided in Appendix C.

Capital investment programme – financing.

69. The CIP will be adjusted to incorporate capital refinancing adjustments (approved by Cabinet in July 2021) now awaiting Council approval.
70. There has been a marked move towards greater use of prudential borrowing to fund capital spend. The council's projected capital financing requirement (CFR) for 31 March 2022 is £536.6 million. This includes allowance for all capital projects approved within the capital programme (including HRA), the £50 million Futures Fund and £10 million SEND infrastructure fund. Based on benchmarking with other local authorities, there is capacity to further increase the level of borrowing taken out (CFR) without becoming an outlier - provided borrowing remains affordable and annual borrowing repayments (principal and interest) can be repaid.
71. The capacity for additional borrowing is important as the council responds to the financial risks of delivering an ambitious capital programme in challenging market conditions.

Capital budget virements and acceptance of capital grants 2021/22

72. In accordance with the council's financial regulations the following rules associated with capital virements and acceptance of grants apply (after advice from the Chief Finance Officer):
    - Acceptance of grants greater than £100,000 and up to £1 million require Cabinet approval
    - Virements over £1 million require prior Council approval.
    - Virements over £500,000 and up to £1 million require prior Cabinet approval.
    - Corporate Directors can approve virements over £100,000 up to £500,000.
    - Service Directors can approve virements up to £100,000.
73. The following capital virements to accept new grants require **Cabinet approval**, as they are above £100,000 but less than £1 million:

    Directorate: Operations

    Purpose: Accept £0.3 million grant from the Parks Foundation

    The Council has secured £0.3 million grant funding from the Parks Foundation to help fund the construction of a new aviary in the Bournemouth Lower Gardens. This is third party funding (supported by a formal grant agreement) towards total scheme costs of £0.4 million. The remaining £0.1 million capital budget will be funded from strategic Community Infrastructure Levy (CIL).

Directorate: **Operations**

Purpose: Accept £0.25 million DfT capital grant

The Council has been successful in its bid for Traffic Signals Maintenance Specific Grant and has been allocated £0.25 million capital grant for traffic signal maintenance and upgrading schemes to be commenced in the years 2021/22 and 2022/23. BCP is required to agree and provide to DfT a programme of works in advance of commencement. Further instructions on this will be provided by DfT in due course.

Directorate: **Operations**

Purpose: Accept £0.119 million MHCLG Beach Check App grant

MHCLG grant funding of £0.119 million was awarded in June 2021 to complete the development, launch and promotion of the national Beach Check app, launched 3 July 2021. The grant requires no local funding contribution and all grant conditions have been met.

74. The following capital virements to accept new grants require **Council approval,** as they are above £1 million:

Directorate: **Operations**

Purpose: Accept £8.5 million Transforming Cities Fund (TCF) capital grant

The Council was awarded £79.3 million TCF grant to deliver a strategic programme of highways improvements to better facilitate sustainable means of travel across the conurbation. The grant is awarded in tranches over four years from 2019-20 to 2022-23. The £8.5 million represents the second instalment of 2021/22 tranche. In line with Department for Transport (DfT) requirements, robust governance arrangements are in place for the delivery of the TCF Programme.

Directorate: **Operations**

Purpose: Accept £3.65 million capital and £0.52 million revenue Rough Sleepers Accommodation Programme (RSAP) grant funding

Following on from the 2020/21 Next Steps Accommodation Programme (NSAP), the Council has been awarded up to £3.65 million capital and £0.52 million revenue MHCLG (trading as Homes England) grant funding for the next phase of the Programme. The funding is designed to deliver longer-term, move-on accommodation and support services as part of MHCLG's Rough Sleeping response. BCP intends to use the grant to partially fund the acquisition of up to 40 new homes. New homes acquired will be part of the existing approved BCP Temporary Housing Accommodation Programme for 2021/22 and 2022/23 and must be offered for permanent rent at either affordable rent or social rent levels. The cost of acquisition and development spend not covered by RSAP capital grant will be funded from prudential borrowing (already approved within the capital programme with annual repayments already factored into the MTFP). Revenue grant funding of £0.52 million is earmarked between 2021/22 and 2023/24 as funding towards tenancy support costs. As with NSAP this grant is required to be claimed in arrears as new homes are acquired.

Directorate: Operations

Purpose: Accept £1.1 million (estimated) of Towns Fund (MHCLG) grant

MHCLG have awarded the council 5% of the Towns Fund grant allocation, to be paid in October 2021. This funding will be used to help develop businesses cases for each of the proposed Towns Fund schemes within the programme and to fund project delivery. Additional Towns Fund capital grant could be secured pending MHCLG approval of the individual scheme business cases.

Housing revenue account (HRA) monitoring

75. 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.

76. Within the HRA the council operates two separate neighbourhood accounts. The Bournemouth account comprises 5,100 tenanted properties and is directly managed in-house by the council. The Poole account comprises 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.

77. Appendix D1 provides the detail of revenue budget monitoring across both neighbourhood accounts and Appendix D2 provides the same for capital budget monitoring across both neighbourhood accounts.

Bournemouth and Poole Neighbourhoods - Revenue account

78. Dwelling rents - under the national rent policy the council must ensure that there is clear oversight of rent setting and implementation throughout the year. The oversight of rent setting is provided within the HRA budget setting papers as presented to council in February 2021 which set out a local scheme in line with the national rent standard. This approach has now been implemented with properties categorised correctly for rent setting and in line with January 1999 valuation requirements. Internal controls ensure that compliance with the required policy are in place and the council can be assured that the rent standard has been applied correctly.

79. Bournemouth Neighbourhood –Dwelling rents and service charges raised in quarter one of £5.7 million and £0.3 million respectively were broadly in line with the quarter one budget. The most significant item of spend for Bournemouth Neighbourhood is on the repair and maintenance and supervision and management of housing stock. In quarter one £2.4 million was spent which is £0.3 million less than quarter one budget. The underspend relates to the recharging of salaries to capital works. The position will be reviewed in quarter two and full year revenue budget forecast updated if required. Overall, at the end of quarter one, no change is forecast to budget 2021/22 net position for the Bournemouth Neighbourhood HRA.

80. Poole Neighbourhood - The budget for 2021/22 forecasts a balanced position, after making provision for £3.6 million revenue funding for capital. Dwelling rents and service charges raised in quarter one amounted to £5.5 million and £0.4 million respectively, both broadly in line with the quarter one budget. The void loss for quarter one was 1.1% (in comparison with target of 1.0%). There were five right-to-buy sales in the quarter, which is in line with expectations. The most significant item of expenditure for the Poole neighbourhood HRA is the management fee charged by PHP. Fees charged for quarter one amounted to £2.0 million, in line with budget.

81. A £0.1 million downward revision to Poole Neighbourhood forecast interest receivable has resulted in a reduction in revenue funding for capital works – budget £3.6 million, reduced to £3.5 million in latest forecast. No other significant variances to budget are forecast for the Poole Neighbourhood HRA.

82. Work will commence in quarter two to establish consistent accounting policies across the two neighbourhoods. This will include a review of depreciation policy, common approach to year-end housing stock valuations, and to agree funding sources for capital projects.

83. As part of the Council's housing options model review, planned workstreams will also include service delivery policies for both neighbourhoods (for example housing stock voids and repairs).

Bournemouth and Poole Neighbourhoods - Capital programme

84. Bournemouth Neighbourhood - The original capital programme budget for 2021/22 approved by Council February 2021 is £25.4 million. This consists of £7.4 million on programmed maintenance and £18.0 million on major capital projects. The approved capital budget has subsequently been reduced by £7.2 million to reflect latest project delivery timeframes, with capital budget reprofiled into 2022/23. The current forecast Bournemouth Neighbourhood HRA 2021/22 capital spend is now £18.2 million.

85. Of this, £1.1 million was spent in quarter one on planned maintenance (principally windows, bathroom and kitchen refurbishments and disabled adaptations). A further £0.6 million was spent on delivery of the major capital projects programme – a programme that has been affected by increasing costs from Covid and Brexit related market conditions (price increases as well as supply shortages). Capital budget increases arising from the impact of current market conditions have already been approved in line with financial regulations for specific projects (most notably Northbourne Day Centre 2022/23 capital budget). Further capital budget increases are likely to be required on other schemes (including Princess Road) as the financial implications of market challenges is better understood. As at 30 June 2021 capital spend of £1.7 million represents 9% of the forecast Bournemouth Neighbourhood capital programme.

86. Poole Neighbourhood – The original capital programme budget (including carry forward of £8.7 million unspent capital budget from 2020/21) is £35.1 million for 2021/22. Almost £2.0 million of this budget has subsequently been reprofiled into 2022/23. This adjustment reflects the ongoing impact of current market conditions on delivery of the capital programme including £1.0 million on budgeted new build – infill projects, £0.5 million on Cynthia House redevelopment (due to delays to the contractor being able to commence work on-site) and £0.5 million on other building works and contingency.

87. All other major projects are currently progressing as planned. Whilst the kitchen and bathroom replacement programme is currently hampered by access from Covid 19 restrictions, the planned maintenance programme is currently forecast to complete in full by the end of the year.

88. As at 30 June 2021, £4.3 million (or 13%) of Poole Neighbourhood's current forecast capital budget of £33.2 million has been spent.

89. As a result of local authority lobbying, the Ministry for Housing, Communities and Local Government (MHCLG) has published a revised policy for the use of Right to Buy (RTB) receipts retained by local authorities. With effect from 1 April 2021, the revised policy provides greater flexibility to local authorities by:

    - Increasing the period in which RTB should be utilised from 3 to 5 years (any receipts not utilised within this period are required to be paid to MHCLG)
    - Increasing the proportion of affordable housing capital spend eligible for RTB funding from RTB from 30% to 40%
    - Local authorities will now be able to use RTB to fund new builds designated for shared ownership
    - Pooling returns are now required to be submitted to MHCLG annually instead of quarterly (although quarterly management information returns are still required)

90. The revised arrangements will require the council to enter into a new agreement with the Secretary of State to formally acknowledge the revised policy. From 1 April 2022 a new cap will be introduced to restrict the number of homes purchased (as opposed to newbuild) using RTB receipts.

Scenarios

91. 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.

Summary of financial implications

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

Summary of legal implications

93. The recommendation in this report are to ensure the council remains financially viable over 2021/22 with an improved prospect of balancing future year budgets.

Summary of human resources implications

94. There are no human resources implications from the recommendations in this report.

Summary of sustainability impact

95. There are no sustainability impacts from the recommendations in this report.

Summary of public health implications

96. 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.
97. The proposed allocations from the contain outbreak management fund earmarked reserve will continue support for the well-being of our residents during the on-going pandemic.

Summary of equality implications

98. Budget holders are managing their budgets with due regard to equalities issues.

Summary of risk assessment

99. There remains significant uncertainty in the length and depth of impact from the Covid-19 pandemic over the autumn and winter of 2021/22 and this may impact on the year end projections in this report.
100. Budget recovery meetings are taking place to review the financial position of children's services, but it is unlikely that expenditure can be reduced to the extent needed to balance the budget in the current year with on-going pressures expected over the medium term. There is no evidence yet that demand for the service or costs of provision are reducing. Significant concerns remain therefore for the in-year financial position and the future sustainability of the council.

Background papers

February 2021 Cabinet papers

http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=285&MId=4260&Ver=4&LO=1

Appendices

Appendix A1	Projected variances greater than £100,000 for 2021/22
Appendix A2	Revenue summary position 2021/22
Appendix A3	Budget report from the corporate director of children's services
Appendix B	Schedule of forecast movement in reserves for 2021/22
Appendix C	Capital programme progress 2021/22
Appendix D1	Summary of HRA revenue budget monitoring for 2021/22
Appendix D2	Summary of HRA capital budget 2021/22