CABINET

Report subject	**2021/22 Budget Monitoring at Quarter 3**
Meeting date	9 February 2022
Status	Public Report
Executive summary	This report includes 2021/22 budget monitoring information as at the end of December 2021. The projected outturn for the revenue account is a balanced position. The projection includes an overspend of £9.1 million within services and the transformation programme. The application of largely one-off central resources can balance this position, including the release into the revenue account of the Covid pressures grant tranche 5 with the balance of £3.3 million carried forward in reserves. 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. Approves the capital virements as set out in paragraph 78.** **2. Request Council approve the capital virements as set out in paragraph 79.**
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
Report Authors	Adam Richens, Chief Finance Officer and S.151 Officer Adam.richens@bcpcouncil.gov.uk
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).
2. At quarter two the projected revenue budget overspend was £10.2 million within services. This was due to one off Covid pressure (£3 million), on-going Covid and general service pressures (£8.6 million), loss of net transformation savings (£3.7 million) partially offset by £5.1 million of additional income and grants.
3. The services overspend was offset by central savings and one off surpluses within the 2021/22 accounts of £6 million, and by Council agreeing to release £4.2 million of the uncommitted Covid pressures grant into the revenue account. The remaining £4 million of the Covid pressures grant was available to carry forward in reserves.

Revenue budget monitoring – December 2021

4. The quarter three projection for the 2021/22 revenue budget outturn is an overspend of £9.1 million within services and transformation. The reasons can be summarised as follows:

    - £3.0 m Covid pressures potentially one-off in nature
    - £5.5 m Ongoing Covid related pressures
    - £2.6 m Ongoing service pressures
    - (£2.5m) Ongoing carparking income recovery (but still below pre Covid)
    - (£3.2m) Grants received to replace base budget or overspend
    - £3.7 m Transformation programme net savings shortfall

5. There is an interest saving of £0.6 million outside of services. The resulting net overspend can be offset by the application of net largely one off items within the 2021/22 accounts:

    - £2.9 m Refinancing of the capital programme resources (2020/21 outturn)
    - £1.4 m Extra sales, fees and charges grant income confirmed for 2020/21
    - £1.3 m Extra sales fees and charges grant income estimated for 2021/22
    - £2.6 m Release of uncommitted contingency and unused historic provisions
    - £0.4 m Dividend from the local authority trading company (Tricuro)
    - £0.2 m Net other changes
    - (£5.2 m) New provision at quarter 3 for shareholding in joint venture company
    - £4.9 m Drawdown of Covid pressures grant tranche 5 (leaving £3.3 million for transfer to reserves)

6. A summary of the revenue outturn position as projected at the end of quarter three is shown in the table below. This includes the use of the covid pressures grant to balance the budget due to unavoidable net pressures, with the remaining level of grant that would be transferred to reserves shown as a surplus of £3.3 million at the bottom of the table (compared with the £4.0 million projected surplus) at quarter two.

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

Directorate	Working Budget	Forecast Outturn	Forecast Variance
Adult Social Care	216,296	235,230	18,934
	(101,001)	(119,392)	(18,391)
Adult Social Care Total	**115,295**	**115,838**	**543**
Children's Services (excl. DSG)	81,202	91,796	10,593
	(11,951)	(13,426)	(1,475)
Children's Services Total	**69,251**	**78,370**	**9,118**
Operations	165,605	168,157	2,552
	(95,284)	(102,906)	(7,622)
Environment & Community Total	**70,321**	**65,251**	**(5,070)**
Resources & Chief Executive Office	150,698	152,328	1,630
	(111,915)	(112,693)	(779)
Resources & Chief Executive Office Total	**38,784**	**39,635**	**852**
Net Cost of Services	**293,651**	**299,094**	**5,443**
Transformation costs / savings	22,537	26,227	3,690
	(23,590)	(23,590)	0
Transformation Total	**(1,053)**	**2,637**	**3,690**
Net Position	**292,598**	**301,731**	**9,133**
Covid Pressures Grant Committed	(1,700)	(1,700)	0
Release of Residual Covid Grants Tranche 5	0	(8,193)	(8,193)
Refinancing of Capital Expenditure	0	(2,900)	(2,900)
Sales, fees and charges compensation 2021/22	(1,649)	(2,987)	(1,338)
Movement from reserves - Covid Sales, Fees and Charges	0	(1,402)	(1,402)
Other Corporate Items	(289,249)	(287,807)	1,442
Total Budget	**0**	**(3,258)**	**(3,258)**

7. The overspend at service level has reduced from £10.2 million at quarter two to £9.1 million at quarter three with net reductions across services.

8. Central one off additional costs have grown in quarter three, with a new £5.2 million provision included relating to the council's shareholding in a joint venture company. This has been partially offset by a projected increase in the sales, fees and charges grant relating to the first quarter of the year by £0.8 million and releasing the balance of the contingency and other unused provisions of £2.6 million.

9. The approach continues to be the management of the financial position by expecting services to deliver within the envelope of their original 2021/22 budget as far as possible. However, it was recognised at quarter two that particularly for children's

and adults services that further budget support was needed due to Covid, and within children's services also from measures to improve the service.

10. The mitigation strategy continues to be the drawdown of tranche 5 covid pressures grant to support net overall budget pressures. This as in addition to the specific allocations to services already made of £1.7 million from this grant for expenditure related to the pandemic. The remaining balance of £3.3 million (£4.0 million at quarter two) is available from the £9.9 million grant to carry forward into next year.
11. 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

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

Adult Social Care - net overspend £0.5 million (0.5%)

13. The ASC overspend has reduced by £0.9 million overall compared with quarter two. There has been an increase in demand for care due to Covid and market pressures on care costs, however, these are offset from additional income from client contributions, new NHS funding, service rental income, and continuous savings reported from employee vacancies.
14. The highest contributor to the overspend is related to extra Covid costs, with £1.5 million from higher cost care packages due to the hospital discharge scheme introduced by the government during the pandemic. Residential care costs continue to be above budget because of market forces and home care packages of increasing size.
15. Due to capacity shortages in NHS therapy services, packages of care that are picked up to be funded by the council after the 4 week NHS funded period are larger and of higher cost because patients are discharged earlier, more dependent, and often without the recovery services they need. Funding of £0.750 million has been secured from the Dorset Commissioning Group towards the cost of these health related needs.
16. The additional committed cost of managing the hospital discharge scheme this year is anticipated to be £0.16 million with the existing level of progress being made. However, this is not sufficient to adequately manage the scheme processes and additional staff to administer the scheme and catch up with the backlog of cases accumulated during the pandemic are required. An amount of £0.4 million from tranche 5 of the Covid pressures grant has been earmarked to complete all processes after the end of the scheme.
17. A £2.2 million projected overspend in packages of care is mainly due to demands from older people as the pandemic has impacted on their general living and wellbeing. The projections remain volatile as costs continue to increase. Residential fees are now 4.4% above budget.
18. Adult Social Care could not optimise occupancy of some block arrangements due to Covid presence in some care homes. At its peak, Covid suspension of admittance reached 60% of the market residential availability, therefore additional placements are being spot purchased at higher cost.

19. The national shortage of home care workforce capacity is leading to a rise in residential care placements generally and a significant increase in people waiting for domiciliary care to become available.

20. The £0.4 million projected additional refunds from the NHS for clients eligible for continuing health care (CHC) were reported last quarter and are due to more people with learning disabilities being found to be CHC eligible. As the backlog for CHC applications, which accumulated due to a pause in NHS CHC activity during the pandemic, begins to be cleared, the overall impact of these refunds will become more apparent.

21. There is £0.5 million over recovery projected for service user contributions.

22. Projected employee savings of £1 million resulting from vacancies which have not been filled due to workforce shortages and service reconfigurations with increased use of grants for staffing.

23. During quarter three the council has received further Covid emergency grants which have been extended to March 2022 raising the total confirmed emergency grants in 2021/2022 to £13.3 million, most of this funding is being passported directly to care providers:

    - Infection Prevention and Control grant - £5.9 million
    - Rapid testing - £3.6 million
    - Workforce Recruitment and Retention grant round 1 and round 2 - £3.4 million
    - Omicron support fund - £0.4 million

Children's Services - net overspend £9.1 million (13.2%)

24. The overspend for Children's services has reduced by £0.1 million overall compared with quarter two.

25. The projected overspend relating to the cost of care has increased slightly from quarter two of £3.8 million to £4.0 million for quarter three. There are still clear national, regional, and local cost pressures that reflect increased demand for all placement types, specifically for children with very complex needs, and with rising costs for individual packages but these pressures continue to be scrutinised and managed at pace.

26. The other area of significant pressure is staffing. This has increased since quarter two and the total forecast variance is now £6.1 million (67% of the overspend). There continues to be considerable market difficulties in the recruitment of permanent workers causing the continued and increased use of higher cost agency staff against established posts within social care.

27. In addition to the agency use against established posts there are several extra agency social workers over establishment to cover current levels of increased demand. At quarter two there was an assumption that these extra agency social workers would end, and a proportion of this reduction built into the forecast. However, this has not been possible to deliver, and the staffing variance has increased.

28. Within the staffing overspend there is also 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. These additional teams were due to end December 2021, but it has not been possible to cope with the continued increase in demand and theses costs are to continue.

29. 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.

30. 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.

31. There is an improvement in the cost of mainstream transport which is contributing to an overall transport forecast overspend of £0.8 million.

32. Other variances include the additional cost in the SEN team of legal support for work on tribunals of £0.1 million.

33. A saving of £0.15 million has been achieved by reducing commissioned services.

34. A saving of £1 million has been agreed by Council from the quarter one monitoring report by switching the family investment fund budget to the contain outbreak management fund (COMF) ring-fenced grant.

35. A saving of £0.4 million has been made by applying a one-off reserve to offset some of the increase in staffing over quarter three.

Place Operations – net underspend £5.1 million (7.2%)

36. The overall position for operations for quarter two is a net underspend of £5.1 million which is 7.2% of the £70 million net budget. Parking and waste services account for much of the total, but there are also significant contributions from seafront services and telecare. Although a significant net underspend, there are some service pressures within place operations.

37. 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 £0.8 million, due to reduced demand for services.

38. In addition, the reduction in trade waste income experienced last year from periods of lockdown and reduced commercial activity is on-going, the updated projection is showing a small recovery over the quarter.

39. In recent years the cost of emergency accommodation placements (principally within local hotels and B&B accommodation) has been managed from a combination of the in-year revenue budget and government grant allocations (including unspent homelessness prevention grant reserve from previous years). In addition, in 2021/22 one-off funding of £0.85 million from the contain outbreak management fund (COMF) has been used. Historic unspent grant reserves for homelessness prevention are currently forecast to be fully depleted during 2023/24, at which point new ongoing

revenue pressures will arise. Indicative estimates for these new pressures have been factored into the MTFP.

40. Communities have been allocated additional grants in-year of £0.94 million to support vulnerable residents in self-isolation with these costs already funded by the contain outbreak management fund.

41. Several smaller pressures across the services due to Covid are anticipated at £0.1 million.

42. Parking services are anticipating a net overachievement against budget of £2.4 million but this is much lower than would have been anticipated in a pre-pandemic year as town centre carparks have not recovered well.

43. Concessionary fares are forecasted to underspend by £0.3 million. The council continues to support bus travel across the conurbation and are compensating the two local bus companies in line with government guidance. The historic trend of reduced bus use has been reflected in maintaining pre Covid funding levels and this has brought down the amounts expected to be paid for the year compared with the budget.

44. Within the transport network team there are estimated savings from vacancies, and in addition the service is concentrating effort on the significant capital programme, impacting the planned revenue spend. These have resulted in an estimated underspend of £0.3 million.

45. Building control income is being impacted by the rising cost of materials, supply chain issues and concerns about inflation and industry confidence which has seen a reduction in the number of domestic applications being submitted. There are currently no large-scale housing developments that require the service. This is a national position with the service forecasting an in-year pressure of £0.4 million.

46. Communities variances have changed little over the quarter. There is an overspend of £0.2 million in respect of the community safety service review, staff costs are overspent by £0.2 million due to restructuring delay and there is a £0.1 million pressure in costs associated with community centres.

47. Environment are forecasting a net saving of £1.9 million in residual waste collection and disposal. This is due to improving recyclate prices, and the re-tendering of waste contracts costing less than anticipated. The take up of the garden waste service is performing well with forecast surplus income of £0.5 million. The trend for increased income for drop-kerbs has continued in quarter three with £0.3 million of additional income projected for the year.

48. There are budget pressures within environment services. The forecast position regarding greenspace, concessions and trading has worsened due to the inclusion of a bad debt provision in relation to a sporting concession. The pressure in respect of arboriculture works remains. The highways operational cost pressures include preparations for the winter service. There is also an estimated overspend of £0.3 million on the cost of the council's fleet because of increased fuel prices and parts for older fleet vehicles.

49. Agency cover for long-term sickness and Covid-related absences have resulted in a forecast pressure regarding household waste recycling centres of £0.2 million.

50. Seafront operations and trading, most notably catering, has been especially successful over the summer period, and is expected to achieve a position ahead of

budget by £0.4 million. Beach hut income is also estimated to be ahead of budget by £0.2 million.

51. Telecare net income continues to forecast £0.3 million additional income to budget. The risk, performance and telecare service is also forecasting to underspend on salaries and overheads by £0.3 million. Neighbourhood services (comprising net income from garages and photovoltaic panels) continues to project an overall £0.1 million improved position to budget. There are also projected savings of £0.1 million related to feasibility costs in the 5-year council newbuild housing & acquisitions strategy (CHNAS) and £0.3 million for other supplies and services for the in-house team.
52. Libraries expect an underspend against staffing budgets of £0.1 million due to vacancies within the service. Other savings across the whole of place operations amount to £0.1 million.

Resources & Chief Executive Office - net overspend £0.9 million (2.2%)

53. The combined position for both the resources directorate and chief executive office is a net overspend of £0.5 million across all budget areas, a small increase compared with the £0.4 million projected at quarter two. The facilities management budget for the year has been transferred to resources from the operations directorate with the overspend for additional works being undertaken during the year increasing by £0.1 million since quarter two to £0.35 million.

Transformation Savings

54. Transformation savings of £7.5 million have been built into the budget for 2021/22. At the end of quarter three as previously reported £5.1 million of savings have not yet been identified for delivery and have been factored into the projected overspend for the year along with related expenditure reductions of £1.4 million.
55. The corporate smarter structures project should deliver some savings towards the residual target and work is ongoing to confirm the level of savings this year.
56. The third party spend project has indicated initial areas for savings opportunities and the deliverability and timing of these will be established during the next phase of work. Most of the potential savings identified will take some time to deliver with the benefit in future years.

Central Items - net surplus £12.4 million

57. A new item at quarter three is the recognition of £5 million of potential losses attributable to Bournemouth Development Company LLP ("BDC"), a BCP joint venture company. The council is making a provision for their shareholding as a result of on-going viability demands relating to the Winter Gardens project. The BDC team continue exploring options to develop the site in the context of the challenging landscape facing the construction industry in general, such as build cost inflation.
58. There are previously reported variances of reduced interest payable of £0.6 million due to higher cash balances than anticipated with a reduced short term borrowing requirement and receipt of a one off £0.4 million dividend from Tricuro, the Local Authority Trading Company BCP set up in Partnership with Dorset Council. In addition, £0.5 million has been identified for release from previous balances held at Bournemouth Borough Council in relation to a company venture where activity has since wound down.

59. 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 made at Council in September when the outturn report was considered.

60. Government compensation for lost sales, fees, and charges (SFC) 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.

61. The SFC scheme is continuing for the first quarter of 2021/22, and the initial estimate of the grant is ahead of the £1.6 million budget by £1.3 million (previously £0.5 million).

62. The balance of central items is the use of the Covid pressures grant tranche 5 to underpin the overspend within services.

63. Lastly, the unearmarked balance of the contingency £2.1m has been fully released to revenue.

Reserves monitoring 2021/22

64. 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.

65. Figure 3 below summarises the projected movement in reserves during the current financial year assuming the estimated surplus of £3.3m will be added to financial resilience reserves. This is considered further in the 2022/23 Budget and MTFP Report on the agenda.

Figure 3: 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	57.3	(96.5)
Total reserves	**169.1**	**72.6**	**(96.5)**

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.

66. 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
c)	£2,536k	**MTFP Mitigation Reserve** As per approved Cabinet report £3.4m to support accelerated regeneration, £0.3m for SEND, £0.2m for Climate Change and £0.5m Clean Green Safe offset by annual review of reserves crediting £1.9m.
d)	(£3,258k)	**Project Outturn 2021/22** As per report amount of surplus will be added to financial resilience reserves and drawn down in support of the 2022/23 budget.

Transition and Transformation Reserves

e)	£1,887k	**Transformation Mitigation Reserve** Drawn down as per the approved 2021/22 budget
f)	£2,000k	**Transformation – Contribution from outside General Fund** Drawn down as per the approved 2021/22 budget

Government Grants

g)	£40,409k	**Covid 19 NNDR Section 31 Grants** Monies received in 2020/21 to offset collection fund deficit payable in 2021/22
h)	£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
i)	£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

67. 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.

68. This budget is being monitored through the High Needs Block Deficit Recovery Board. The quarter three position indicated an overspend of £3.2 million (£1.3 million at quarter two), resulting in an annual funding gap for 2021/22 of £12.9 million. The most significant budget variance is the level of placements made in the independent

and non-maintained special schools. This increase at quarter three reflects further growth in caseload during the year plus a new provision of £0.8 million for a disputed case with backdated costs following a ruling from the Secretary of State. Counsel opinion has been received and the grounds for an appeal are being considered. The budget was set based on the target to reduce the use of this sector but there is no indication yet that this can be achieved over the current five year planning horizon.

69. The accumulated deficit is expected to increase from £7.8 million at 1 April 2021 to £20.7 million by the end of the year as shown in the table below:

Figure 4: Summary position for dedicated schools grant

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2021	**7.8**
Budgeted high needs shortfall 2021/22	9.7
Projected in-year over spend on high needs	3.1
Projected in-year overspend on other blocks	0.1
Projected accumulated deficit 31 March 2022	**20.7**

Capital budget monitoring

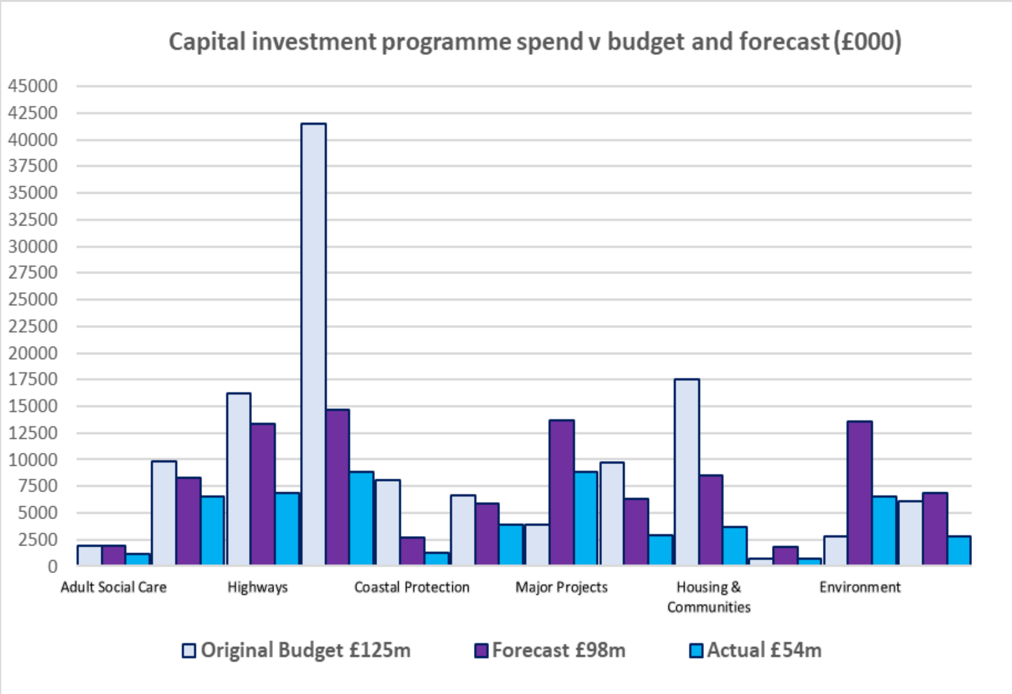
70. This section covers the council's budgeted capital investment programme (CIP) in respect of general fund capital expenditure only. Housing Revenue Account (HRA) related capital spend is reported separately within this report.

71. The original capital investment programme (CIP) budget approved by Council in February 2021 was £125 million. Amendments to the programme since include new approved schemes, increases to existing scheme budgets, reprofiling of approved capital budget to later years as well as 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 December) of £97.6 million This does not include capital projects which are still pending formal approval.

72. The capital programme excludes the £50 million from the Futures Infrastructure 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.

73. Figure 5 overleaf reflects position at the third quarter spend against the latest full year forecast and original budget.

Figure 5: Capital Budget Monitoring as at 31 December



74. At £54.0 million, actual capital expenditure to date at end of December is 55% of the full year forecast of £97.6 million. This is comparable with previous years. Covid-19 and Brexit continue to have significant impact on market conditions. This includes 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 compared with original estimates across capital projects, reduced capacity to undertake works to planned timeline because of labour shortages and in some cases fewer than expected responses for tendered works. Some cost increases can be absorbed within risk / contingency allowance within approved capital budgets. Other price variations will require capital budget increases –to be funded from either BCP funds (for example S.106 / community infrastructure levy (CIL), external grant or additional prudential borrowing.

75. Capital budgets have been reviewed with project managers to ensure appropriate levels of unspent capital budget originally approved for 2021/22 have been reprofiled into 2022/2023. These budgets are now included within the capital investment programme (CIP) 2022/23 to be approved by Council separately at this meeting. As in previous years any residual capital budget unspent at year end will also be rolled forward as part of year end closedown into the 2022/23 capital programme.

76. A summary of progress on key capital projects by directorate is provided in Appendix C.

Capital budget virements and acceptance of capital grants 2021/22

77. 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.

78. The following capital virements to accept new grants require **Cabinet** approval:

    Directorate: **Operations**

    Purpose: Accept Environment Agency (EA) grant of £0.4 million for the Coast Protection programme

    This award is to fund studies/research into the understanding of sediment processes across the Poole and Christchurch Bay.

    Directorate: **Operations**

    Purpose: Accept Historic England (HE) capital grant of £0.1 million.

    Historic England have awarded the council further £0.1 capital grant to cover increased costs for Scaplen's court paving works and to facilitate the payment of grants to property owners for additional structural works. The latter is part of the council's Heritage Action Zone project to improve historic buildings along Poole High Street.

79. The following capital virement to accept new grant requires **Council approval**, as it is above £1 million:

    Directorate: **Operations**

    Purpose: Accept Heritage Fund (HF) grant of £2.2 million for Poole Museum

    The HF have awarded the council £2.2 million grant as a significant contribution towards delivery of the "Our Museum Project". This will include conservation and restoration work, transformation of the visitor journey/experience, creation of new public galleries and reduction of carbon emissions. This is a £4.3 million project, that is due to start on site shortly.

Housing revenue account (HRA) monitoring

80. 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.

81. 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.

82. 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

83. Budgeted income from rents (dwelling rents and non-dwelling rents) across both neighbourhoods is currently forecast to be broadly in line with budget.

84. Repairs and maintenance spend across both neighbourhoods is forecast to be £0.2 million under budget. This reflects increased capitalisation of Bournemouth neighbourhood housing surveyors' costs incurred as part of the HRA's planned repairs programme. No significant variance to budget is forecast for repairs and maintenance within the Poole neighbourhood.

85. The impact of increasing gas and electricity prices in the second half of this year is reflected in the forecasts for supervision and management in both neighbourhoods. Poole is forecasting additional £0.3 million spend to budget, Bournemouth £0.1 million overspend in respect of utilities costs alone. Underspends in other areas of supervision and management (principally Bournemouth neighbourhood) from additional recharges of housing development team staff costs to capital and other staff related underspends, result in an overall net underspend on supervision and management across the two neighbourhoods of £0.1 million.

86. Movements in line with regulations around the operation of the council's treasury management function mean and extra £0.2 million will be incurred by the Poole neighbourhood HRA.

87. The overall impact of quarter three revenue budget variances is that the combined forecast annual contribution to new build capital programmes is now forecast to be £5.6 million (£5.5 million budgeted). This consists specifically of £2.5 million contribution from the Bournemouth neighbourhood and £3.2 million from the Poole neighbourhood.

Bournemouth and Poole Neighbourhoods - Capital programme

88. Work on major capital projects across both neighbourhoods continues – including Sterte Court and Project Admiral in the Poole neighbourhood, and Moorside Road, Luckham Road / Charminster Way, Mountbatten Gardens and Ibbertson Way in the Bournemouth neighbourhood. Both neighbourhood capital programmes have required (and could potentially require further) approval of additional capital budget to complete approved schemes. This is a result of inflationary pressures on materials and labour – the impact of Covid / Brexit on the market. Longer lead in times for goods, materials and services have also had an impact on timelines for capital project delivery. Templeman House build works have been tendered and contract awarded. Works are expected to start in February with demolition expected to start in March. Cabbage Patch build works have been tendered and contract awarded, with works due to commence February 2022. Overall, across both neighbourhoods around 65% of planned 2021/22 capital budget for major projects has been spent by the end of quarter three.

89. In quarter one there was reduced property access arising from Covid related restrictions, and this impacted delivery of the kitchen and bathroom replacement programmes across both neighbourhoods. The position was significantly improved over quarters two and three, with the backlog of works reduced. £1.8 million of

investment in kitchen and bathrooms has been made by the end of quarter three, with a further £0.7 million currently profiled for the last quarter of the year.

90. As a result of Covid, as with the general fund, the HRA capital programmes for each neighbourhood have evolved significantly since originally approved by Council in February 2021.

Financial risks in the HRA capital programme

91. Wilkinson Drive - the housing delivery team is working with the construction works team (CWT) towards a service level agreement with a provisional start on site in May 2022. Challenges have included gaining planning permission and material price increases, as detailed in quarter two council budget monitoring.

92. Craven Court - housing management continue to work with existing tenants to find suitable alternative accommodation, prior to work commencement. Build works have been tendered and the outcome is to be confirmed. Start on site is expected in March/April 2022

Scenarios

93. 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

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

Summary of legal implications

95. The recommendations in this report are to comply with the council's financial regulations with attention drawn to significant budget variances as part of good financial planning to ensure the council remains financial viable over the current year and into the future.

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

98. 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.

Summary of equality implications

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

Summary of risk assessment

100. There remains significant uncertainty in the length and depth of impact from the Covid-19 pandemic over the winter of 2021/22 and this may impact on the year end projections in this report.

101. 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.

Background papers

Cabinet papers:

February 2021 – papers for budget 2021/22

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

29 September 2021 – 2021/22 quarter one budget monitoring report

http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=285&MId=4836&Ver=4&LO=1

15 December 2021 – 2021/22 quarter two budget monitoring report

http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=285&MId=4839&Ver=4&LO=1

Appendices

Appendix A1	Projected variances greater than £100,000 for 2021/22
Appendix A2	Revenue summary position 2021/22
Appendix B	Schedule of forecast movement in reserves for 2021/22
Appendix C	Capital investment programme 2021/22 narrative by directorate
Appendix D1	Summary of HRA revenue budget monitoring for 2021/22
Appendix D2	Summary of HRA capital budget monitoring 2021/22