CABINET

Report subject	**2021/22 Outturn Report**
Meeting date	22 June 2022
Status	Public Report
Executive summary	This report provides details of the final financial outturn for the revenue account, capital programme, reserves, and the housing revenue account (HRA) for the financial year 2021/22. The general fund revenue outturn is a surplus of £6.8 million for the year, of which £3.3 million has already been allowed for in the budget for 2022/23. It is proposed that the balance of £3.5 million is transferred to the financial resilience reserve to mitigate the emerging in-year cost of living inflationary pressures. The position compared with quarter three reflects faster income recovery after Covid and higher expenditure savings, with some efficiencies now recognised from the transformation programme. This improvement has meant that resources previously earmarked to support net overspending across services can instead be carried forward to support the cost of living crisis and medium term financial plan (MTFP). The statutory requirements are that the council undertakes prudent financial planning as evidenced by delivery of a highly positive outturn
Recommendations	**It is RECOMMENDED that Cabinet:** **1. Recommend to Council that the final revenue surplus for the year of £6.8 million is added to financial resilience reserve with the extra £3.5m not assumed in the 2022/23 budget being used to mitigate the emerging inflationary cost of living pressures.** **2. Approves the capital virements to accept new government grants as set out in paragraph 96.** **3. Recommend Council approve the capital virement as set out in paragraph 97.**
Reason for recommendations	• To comply with accounting codes of practice and best practice which requires councils to report their end of year financial position compared with the budget of the authority. • To comply with the council's financial regulations regarding budget virements and the acceptance of new grants.

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 and a capital programme of £125 million. Budgets were also agreed for the housing revenue account (HRA).
2. At quarter three the projected revenue budget surplus was £9.1 million within services. This was due to Covid and other pressures of £11.1 million, loss of net transformation savings of £3.7 million, partially offset by £5.7 million of additional income and grants.
3. The services overspend was offset by releasing the central unused budget contingency and by positive largely one-off central items. These included additional grants, refinancing the capital programme and release of the uncommitted Covid pressures grant into the revenue account. This forecast position allowed £3.3 million of the grant to be carried forward in reserves to support the 2022/23 budget.

Revenue Outturn at March 2022

4. The 2021/22 revenue outturn is a surplus of £6.8 million, with services making efficiencies of £6.2 million and central budgets providing a surplus of £0.5 million. Summary reasons for budget variances are included in figure 1 below:

Figure 1: Summary Budget Variances 2021/22

Q3 Projection	Budget Variances	Outturn
£m		£m
8.5	Covid related pressures	9.1
2.6	Net service pressures / savings	(7.2)
(2.5)	Income recovery	(7.3)
(3.2)	Grants replacing base budget or overspend	(2.9)
3.7	Transformation net savings shortfall	2.1
9.1	**Service budget variances**	**(6.2)**

Q3 Projection	Budget Variances	Outturn
9.1	**Service budget variances above**	**(6.2)**
(0.6)	Interest	(0.8)
(2.9)	Refinancing of the capital programme	0
(1.4)	Release sales, fees, and charges provision from 2020/21	0
(1.3)	Extra sales fees and charges grant 2021/22	(1.3)
(2.6)	Release of uncommitted contingency / provisions	(3.3)
(0.4)	Dividend from the local authority trading company (Tricuro)	(0.4)
(0.2)	Net other changes	0
5.2	Provision for shareholding in joint venture company	5.2
(8.2)	Covid pressures grant tranche 5 released to revenue	0
(12.4)	**Central budgets**	**(0.5)**
(3.3)	**Transfer to reserves**	**(6.8)**

5. Services are expected to deliver within the envelope of their annual budget. The previously reported projected overspend of £9.1 million at quarter three has improved to a surplus of £6.2 million at outturn.

6. Across services in quarter four Covid-related cost pressures increased by £0.6 million, due largely to increased care costs in adult social care and children's services, and grants to support the budget reduced by £0.3 million. These new pressures were offset by net service savings (£9.8 million), a significant improvement in income recovery (£4.8 million) with delivery of transformation savings (£1.6 million).

7. The improved position is across all directorates except for children's services where there has been a small increase in the annual overspend. It was recognised early in the year that children's services needed extra resources to manage increased social care demand from the impact of higher care and employee costs and from the impact of Ofsted inspections. As the number one priority area for this Council these resources were made available.

8. Place operations at quarter three were forecasting a budget surplus and this improved further by £8.8 million in the final quarter. Income recovery from Covid continued to exceeded expectations, particularly for carparking, seafront, attractions, and leisure activities. Expenditure was lower than anticipated in areas such as seafront maintenance and housing. Anticipated savings increased further in waste services from below budget tonnages, collection costs and disposal prices. In addition, some expenditure budgeted as revenue within engineering and environment has been charged instead to the capital programme following a corporate review of national practice.

9. In adult social care, a small overspend projected at quarter three has been replaced by a positive movement of £4.1 million to deliver a surplus. This is largely from ongoing recruitment difficulties, contributions from the NHS for care packages as progress has been made in clearing the backlog of assessments and previously anticipated care demand not materialising.

10. The mitigation strategy developed to balance the previously projected overspend is no longer needed. This means that the full unbudgeted £8.2 million of the Covid pressures grant tranche 5 can be transferred to reserves and the £1.4 million provision for lost sales, fees and charges is not needed to be drawn down. In addition, the £2.9 million secured through refinancing the capital programme can be

transferred to reserves. These resources can instead be used to support the cost-of-living pressures.

11. The surplus of £6.8 million is available to transfer to the financial resilience reserve to support the 2022/23 budget as planned and to support cost of living inflationary pressures.

12. A summary of the revenue outturn position is shown in Figure 2 below.

Figure 2: General Fund – Summary Revenue Outturn - 31 March 2022

Q3 Variance	Directorate	Revenue	Budget	Outturn	Variance
	Adult Social Care	Expenditure	218,346	228,307	9,961
		Income	(101,634)	(115,131)	(13,497)
543	**Adult Social Care**		**116,712**	**113,177**	**(3,536)**
	Children's Services (excluding the Dedicated Schools Grant)	Expenditure	82,305	90,750	8,445
		Income	(12,017)	(11,105)	912
9,119	**Children's Services**		**70,288**	**79,645**	**9,357**
	Place Operations	Expenditure	150,085	168,639	18,554
		Income	(92,527)	(124,917)	(32,390)
(5,020)	**Place Operations**		**57,558**	**43,722**	**(13,835)**
	Resources & Chief Executive Office	Expenditure	163,268	163,989	721
		Income	(114,702)	(115,831)	(1,129)
802	**Resources & Chief Executive Office**		**48,567**	**48,159**	**(408)**
5,444	**Net Cost of Services**		**293,125**	**284,703**	**(8,422)**
	Transformation (including target savings)	Expenditure	22,537	2,621	(19,916)
		Income	(22,049)	0	22,049
3,690	**Transformation Total**		**488**	**2,621**	**2,133**
9,134	**Net Service Outturn**		**293,613**	**287,324**	**(6,289)**
(12,392)	Corporate Items - set out in Appendix A2		(51,398)	(50,883)	515
(3,258)	**Total Budget**		**242,215**	**236,442**	**(5,773)**
0	Total Funding - set out in Appendix A2		(242,215)	(243,247)	(1,032)
(3.258)	**Net Outturn**		**0**	**(6,805)**	**(6,805)**

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

Summary of 2021/22 projected outturn by directorate

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

Adult Social Care - net surplus £3.5 million (3%)

15. The ASC overspend has reduced from a projected £0.5 million overspend at quarter three to a surplus at outturn of £3.5 million. There has been an increase in the cost of care related to hospital discharges, however this is offset from additional savings delivered by the local authority trading company (Tricuro) and additional income from client contributions, NHS funding from delayed continuing health care (CHC) assessments, further savings from employee vacancies and other efficiencies in contractual arrangements and running costs.

16. The cost of care directly related to hospital discharges increased by £1.2 million to £2.7 million. Care home costs continue to be above budget because of market forces and home care packages are larger as patients leave hospital early with greater needs. The additional spend also includes support for people who have not recovered within the government-funded period for the hospital discharge programme, those who continue to have high support needs and are awaiting CHC assessment and others in higher cost temporary care awaiting long-term placements to be found in a market with little availability.

17. The overspend previously projected for care packages from the community has reduced by £2.3 million to a budget surplus of £0.1 million. The shortage of care market supply is ongoing, particularly for people with complex needs, meaning that people are waiting longer for suitable accommodation and care to meet their needs. Some people due to be discharged from hospital settings have remained in hospital longer than planned and others have continued to be cared for by family at home for longer than anticipated. Other factors contributing to the underspend include the 'moving on from hospital living' pooled budget risk share arrangement with the NHS which has been favourable to the council this year. In addition, a dispute over responsibility for funding has been resolved, resulting in the recovery of costs from another local authority.

18. The total saving from Tricuro increased by £0.8 million to just under £1 million for the year in total. This was from day services which did not reopen in full following the pandemic with savings in building and staffing costs.

19. The budget surplus for service user contributions reduced from £0.5 million to £0.4million.

20. During the last quarter there has been a catch up on NHS assessments for CHC eligibility following the freeze imposed during the pandemic. As a result, income from the NHS to recover care costs paid by the council prior to a positive assessment increased from a projection of £0.4 million to £1.7 million at outturn.

21. The employee related savings have increased from £1 million to £1.4 million in the last quarter. Due to expenditure management across the council during the pandemic, vacancies have reached unprecedented levels in ASC. Whilst recruitment activity has been taking place, there is an ongoing shortage of suitable candidates. Waiting lists for social care support are longer than usual and there is a backlog of commissioning activity. In addition, during the last quarter, use of external funding to support employee costs has continued where possible, reducing the call on the base budget.

22. Further savings of £1 million are due to slippage in deprivation of liberty safeguards assessments, resolution of disputed service level agreements, delay in awarding some contracts to the voluntary sector, use of equipment, savings in the internal social work training services and other miscellaneous budgets.

Children's Services - net overspend £9.4 million (13%)

23. Children's services spent £0.2 million more than anticipated at quarter three.

24. The projected overspend relating to the cost of care has increased from £4.0 million at quarter three to £4.5 million. 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, with rising costs for individual packages. These pressures will continue to be scrutinised and managed at pace during 2022/23.

25. The other area of significant pressure is staffing. The total year end forecast variance is £6.1 million (65% of the overspend). There continues to be considerable local and national market difficulties in the recruitment of permanent social workers causing the continued and increased use of higher cost agency staff against established posts within social care. The recent Ofsted rating has further impacted on the permanent recruitment and a new workforce strategy is being designed to attract and retain permanent social workers.

26. Within the staffing overspend there 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, which can be directly attributed to higher post-Covid demand. These additional teams were due to end in December 2021, but they have been retained to manage the continued increase in demand.

27. There is also non-achievement of the budget reduction to reflect a pattern of staff 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 corporate delay in restructuring business support functions and system support teams across the council.

28. The final position for both mainstream and special education needs (SEND) transport is £1 million overspent, an increase from quarter three of £0.2 million. The SEND 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.

29. Other variances include the additional cost in the SEND team of legal support for work on tribunals of £0.17 million.

30. A saving of £1 million was 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. In addition, the service has saved £0.15 million by reducing commissioned services.

31. A saving of £0.4 million has been made by applying a one-off grant reserve to offset some of the increase in staffing over quarter three and £0.1 million has been contributed through the payments-by-results mechanism from achieving successful outcomes from the supporting families programme.

32. An additional contribution of £0.35 million from the public health grant in quarter four has been applied to cover public health duties delivered within Children's services.

Place Operations – net surplus £13.8 million (24%)

33. The place operations net £5 million surplus at quarter three improved significantly over the final quarter, with positive changes for many services. There was strong income performance, particularly in March, from carparking, seafront trading and leisure activities. Greater savings than expected were achieved, particularly in waste services, additional costs have been charged to the capital programme following a corporate review and some budgeted maintenance expenditure was delayed. Some services, however, continued to see cost pressures.

Covid Pressures

34. Covid pressures within environment services are income losses greater than allowed for in the bereavement service of £0.8 million, mainly due to reduced demand for cremation services, with costs pressure from the coroner's and mortuary service.

35. The economic impact of the pandemic eased over quarter four in trade waste income with the £0.3 million pressure previously estimated replaced by a small surplus. The pressure had included an increased allowance for the bad debt provision but the review of outstanding debtors as at the end of March demonstrated that instead a smaller provision was needed.

36. Self-isolation grants of £0.9 million were allocated in-year to community services to support vulnerable residents. In anticipation of this need, additional funds had already been earmarked from the contain outbreak management fund with the new grant used to support base budget costs. In quarter four it was decided to retain a contingency should further Covid support be needed in 2022/23 with £0.2 million held in reserve reducing the grant use to £0.7 million.

Transport and Engineering

37. Parking services has overachieved against budget by £4.3 million, this is still much lower than would have been anticipated in a pre-pandemic year as town centre carparks have not recovered well.

38. Concessionary fares were forecast to underspend by £0.3 million at quarter three with the outturn an increase to £0.6 million. The council continues to support bus travel across the conurbation and have compensated 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. The previous forecast was net of costs for other transport services, and these have now been reflected elsewhere with the net overall position unchanged.

39. Transport network team savings have increased to £1 million at outturn from £0.3 million at quarter three. This is due to greater concentration of staff working for the capital programme rather than revenue funded activity together with additional street works income.

40. Passenger transport is showing a surplus of £0.2 million from the use by adult social care and the transport development team have succeeded through the final quarter in reducing the use of agency staff, resulting in a saving of £0.1 million.

41. Building control income is £0.5 million below budget as domestic applications are low and there are currently no large-scale housing developments that require the service. Building projects have been impacted nationally by the rising cost of materials, supply chain issues and concerns about inflation reducing industry confidence.

<u>Communities</u>

42. Community services 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 from the restructuring delay and there is a £0.1 million pressure in costs associated with community centres.

<u>Environment</u>

43. Waste collection and disposal services have underspent during the year with savings increasing over the final quarter. Environment were forecasting at quarter three a net saving of £1.9 million in residual waste disposal due to reduced volumes and improving recyclate prices and with the re-tendered waste contracts costing less than anticipated. The service has continued to benefit from lower prices and reduced volumes to deliver a saving for the year of £2.4 million. Waste collection costs have also been lower with a budget surplus at outturn of £0.4 million. The take up of the garden waste service has performed well over the year with it considered more appropriate to reflect in 2021/22 the price adjustment in 2022/23 for the rounds cancelled due to Covid. This reduced the previously projected surplus by £0.3 million to £0.2 million.

44. Queens Park Golf course was previously forecast to outturn in a balanced position, but income has recovered well with a £0.2 million surplus at outturn.

45. The grounds maintenance service has achieved a surplus for the year of £0.1 million, mainly from charging salaries to winter response work.

46. The trend for increased income for drop-kerbs did not continue as anticipated in quarter four and although still in surplus the final figure has fallen to £0.1m.

47. The anticipated budget pressures for greenspace, concessions and trading reduced through quarter four with higher income from the Lower Gardens mini-golf and collections of rents improved. The outturn in respect of arboriculture works was in line with expectations.

48. The highways operational cost pressure highlighted previously has been reduced with the allocation of circa £1 million of expenditure instead to the capital programme having reviewed current national practice. In addition, income in relation to signage was higher than previously expected. Highways operations managed fleet costs cautiously through the final quarter managing to minimise the impact of rising fuel costs.

<u>Destination and Culture</u>

49. Seafront operations and beach huts continued to achieve better than expected budget savings through quarter four. Some planned maintenance and investment did not take place with expenditure savings and planned loss of income delayed. Income was strong in March, especially at the arcade. Together these provided a

trading surplus of £1.1 million for seafront operations and £0.8 million for beach huts, together adding £1.3 million more to the surplus.

50. Upton Country Park has achieved a surplus at year end mainly from the use of prudential borrowing for capital spend in place of a planned revenue contribution together with trading and car parking income higher than anticipated.

51. Leisure facilities performed better than expected. BH Live provided an additional £0.2 million from their outturn via the profit share arrangement. Smugglers Cove adventure golf achieved a surplus of £0.1 million and Two Riversmeet leisure complex improved performance through the final quarter.

Housing

52. The council has benefitted from significant one-off government grant funding for homelessness prevention services and housing options (net £0.2 million more in-year than budgeted). The council has utilised all grant funding received this year in accordance with grant conditions. Unspent grant funding of £1.3 million (in relation to homelessness prevention and Syrian/Afghan resettlement grants) have been transferred to reserves and will remain ringfenced to housing related spend in 2022/23.

53. Risk & improvement services salary underspend of £0.3 million is in line with the quarter three forecast. The neighbourhood services (garages and photovoltaic panels) previous saving from extra income forecast in quarter three has been reduced by additional maintenance expenditure.

54. Reduced income recognition from the telecare service over the final quarter and below budget write offs of rent deposits provide a positive variance of £0.1 million for the year.

55. The in-house team (IHT) and construction works team (CWT) continued to generate a budget surplus. In total construction services has realised an additional £0.6 million but some of this is from one-off adjustments. Cost pressures are likely to impact in 2022/23.

56. Seascape Homes & Properties Limited has provided an additional £0.2 million in net rental income for lease payments on properties acquired under the council newbuild housing & acquisitions strategy (CNHAS). This is in addition to reduced CNHAS feasibility studies spend to budget of £0.2 million.

57. The private sector housing team's final position is over budget by £0.1 million after a review of the treatment of outstanding debts at year end.

58. Other savings across the whole of housing services amount to £0.2 million.

Resources & Chief Executive Office - net surplus £0.4 million (1%)

59. The combined position for both the resources directorate and chief executive office is a net underspend to budget of £0.4 million.

60. The revenues & benefits teams have underspent by £0.3 million from carrying vacancies in anticipation of the staffing restructure over 2022/23 in preparing for the dissolution of the Story Valley and Poole Partnership (SVPP) and the transition to a new service model. SVPP is hosted by BCP and currently delivers some services on behalf of Dorset Council.

61. The facilities management budget has transferred to resources from the operations directorate. Final outturn is £0.2 million over budget, resulting from additional works undertaken during the year. This is an improved position from quarter three, where an overspend of £0.4 million was projected.
62. Democratic services outturn is £0.3 million from additional schools appeals income and reduced Member related spend.
63. Legal services underspent budget by £0.2 million due to ongoing staff vacancies and reduced external counsel support.
64. ICT services net savings of £0.5 million is due to reduced desktop replacement spend and ICT management. Reductions in photocopying, printing, and telephony cost are included within transformation savings.

Transformation Savings

65. Transformation savings of £7.5 million were built into the budget for 2021/22. At the end of quarter four £3.6 million of savings have not yet been identified for delivery and this is offset by related expenditure reductions of £1.4 million. This is an improvement of £1.5 million from the reported £5 million shortfall in quarter three monitoring. The improvement has been from the delivery of smarter structure savings and third party spend reductions.
66. The third party spend project has indicated further areas for savings opportunities and the deliverability and timing of these will be established during the next phase of work.

Central Items - net surplus £0.5 million (1%)

67. The council has recognised £5 million of potential liabilities attributable to Bournemouth Development Company LLP ("BDC"), a BCP joint venture company. The council is making a provision for their shareholding to align with the approach taken by its private sector partner relating to the Winter Gardens project. This is due to both the challenging landscape facing the construction industry in general, such as build cost inflation, and while the possibility is explored of incorporating the site into the larger regeneration of the extended BIC project, which may address any viability concerns.
68. There is reduced spend on interest payable of £0.8 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.
69. 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. Due to the surplus position reported this amount has been allocated to reserves to support the MTFP.
70. 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 is available to support revenue and will be carried forward in reserves to offset the cost-of-living pressure the council is forecasting.

71. The SFC scheme continued 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.

72. Budget monitoring over the year has been on the basis that the unbudgeted element of the Covid pressures grant tranche 5 would offset the overspends within services. As the net overspend has not materialised, £8.2 million of unused grant will be carried forward in reserves to support the emerging cost of living pressures.

73. Lastly, the unearmarked balance of the contingency £2.8m has been fully released to revenue. The balance released has grown in quarter four as the amount needed for the 2021/22 pay award agreed in March 2022 was less than expected due to the level of vacancies maintained across services during the year.

Reserves monitoring 2021/22

74. Councils nationwide received significant Covid related grants during 2020/21 which artificially increased all opening reserve balances. 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 was 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.

75. Figure 3 below summarises the projected movement in reserves during the current financial year assuming the estimated surplus of £6.8 million 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	114.4	(39.4)
Total reserves	**169.1**	**129.7**	**(39.4)**

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

*Earmarked reserves brought forward 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.

76. 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 fully draw down

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

c) £615k **MTFP Mitigation Reserve**
As per approved Cabinet report £3.4 million to support accelerated regeneration, £0.3 million for SEND, £0.2 million for Climate Change and £0.5 million Clean Green Safe offset by annual review of reserves crediting £1.9m.

d) (£6,805k) **Projected 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.

e) (£2,900k) **2020/21 Capital Refinancing**
As set out in para 69 this unused amount will go toward supporting the MTFP.

f) (£8,195k) **Covid 19 unspent grant**
As set out in para 72 this unused amount will go toward supporting the MTFP.

Transition and Transformation Reserves

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

Asset Investment Strategy Rent, Renewals and Repairs

h) (£775k) **Investment Properties**
Higher rental income than assumed in the budget has meant a contribution to this reserve has been possible to offset future voids and maintenance commitment for the council investment property.

Held in Partnership for External Organisations

i) (£794k) **Stour Valley and Poole Partnership (SVPP)**
A combination of surplus and unspent grants which will be distributed next year as part of the dissolution of the partnership (subject to exit cost arrangements).

Government Grants

j) (£21,511k) **Covid 19 NNDR Section 31 Grants**
Monies received in 2020/21 to offset collection fund deficit payable in 2021/22 and monies received in 2021/22 to offset deficit payable in 2023/24.

k) £8,516k **Other Covid 19 Grants**
Other Covid related grants other than for NNDR

Dedicated Schools Grant (DSG) 2021/22

77. 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.

78. This budget is being monitored through the High Needs Block Deficit Recovery Board. The quarter three position indicated an overspend of £3.2 million, resulting in an annual funding gap for 2021/22 of £12.9 million.

79. The final outturn position is a small improvement with the overall annual funding gap reduced to £12.5 million.

80. The High Needs Block outturn position is £2.5 million overspent compared with budget. This includes a £0.9 million provision for a disputed case with backdated costs following a ruling from the Secretary of State, although an appeal has been lodged on the advice of counsel.

81. There has been a net overspend on the early years funding formula of £0.4 million, due to the increase in provider payments to support pupils with additional needs.

82. The accumulated deficit has increased from £7.8 million at 1 April 2021 to £20.3 million at the end of the year as shown in the table below:

Figure 4: Summary position for dedicated schools grant

Dedicated Schools Grant	Quarter 3 Projection £m	Outturn £m
Accumulated deficit 1 April 2021	**7.8**	**7.8**
Budgeted high needs shortfall 2021/22	9.7	9.7
In-year over spend on high needs	3.1	2.5
In-year net over spend on other blocks	0.1	0.3
Projected accumulated deficit 31 March 2022	**20.7**	**20.3**

Capital budget monitoring

83. 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.

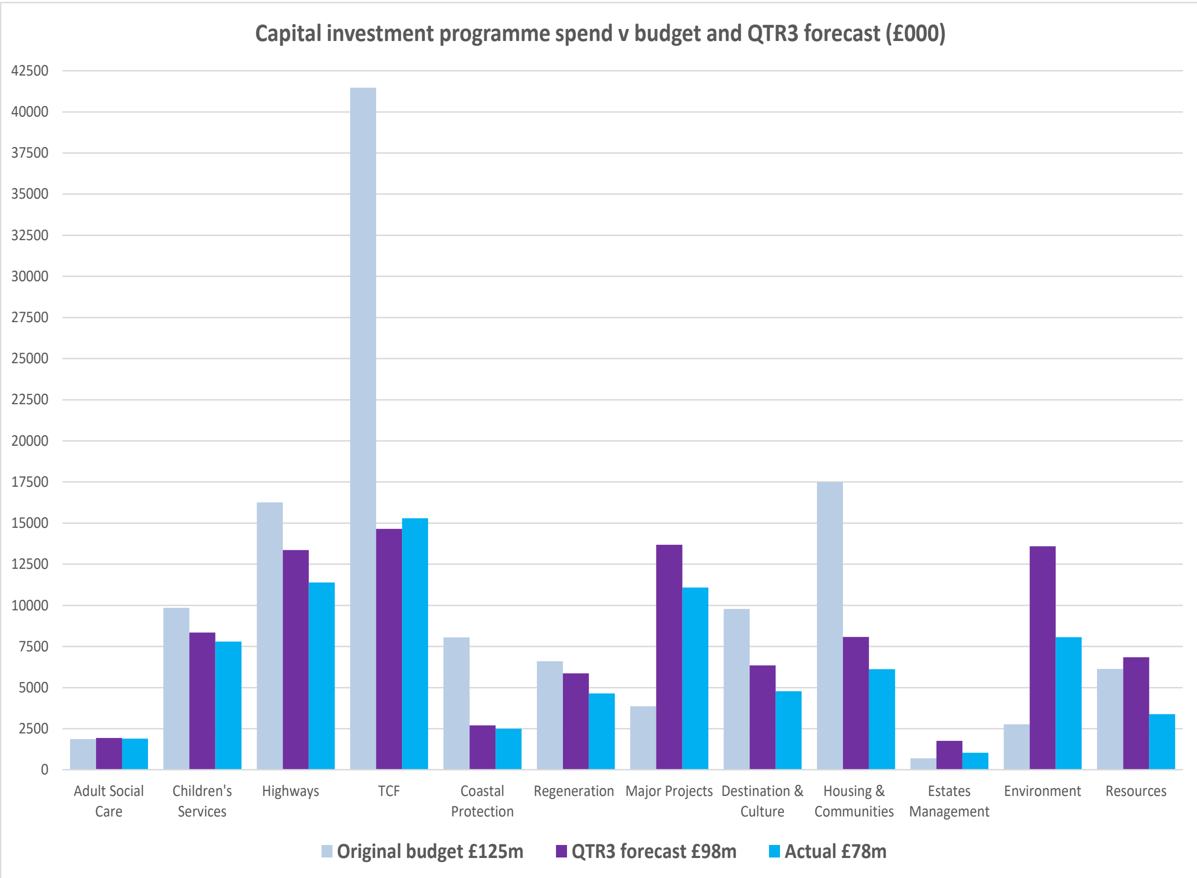
84. The original capital investment programme (CIP) budget approved by Council in February 2021 was £125 million. In-year amendments to the programme (since budget was approved) include new approved schemes, increases to existing scheme budgets, reprofiling of approved capital budget to later years as well as the carry forward of unspent capital budget brought forward from 2020/21. These changes resulted in a revised quarter three forecast full year capital programme of £97.6 million.

85. At £78.1 million, final capital expenditure for 2021/22 is 80% of third quarter projection of £97.6 million. 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 to tenders issued. Some cost increases have been absorbed within risk / contingency allowances in approved capital budgets. Other price variations have required capital budget increases. These are funded from either BCP funds (for example developer S.106 contributions / community infrastructure levy (CIL)), external grant or additional prudential borrowing.

86. Figure 5 below reflects the final outturn position by service area in comparison with quarter three forecast and original budget.

Figure 5: Capital programme spend at 31 March 2022



87. 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.

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

Financial risks

89. Whilst some capital projects budgets have already been increased due to market cost pressures, this inherent risk remains until projects have been completed.

90. Further specific risks identified include:

- Salix grant funding - the council assumes the use of £2 million grant funding to fund approved capital spend already underway on energy improvement measures across council buildings. The council is awaiting final confirmation of funding position with respect to committed works not yet completed.
- Transforming Cities Fund – the impact of ongoing market pressures continues to be monitored by the TCF Board. Programme updates are provided to Council.
- Hillbourne School newbuild (£9.5 million total capital budget) assumes the use of £4.7 million general fund borrowing accounted for by the transfer of surplus playing school field land to the HRA for housing development. This is subject to final Secretary of State approval.
- Fleet management – the Council is seeing a 10-12% rise in the costs of procuring vehicles compared to what was budgeted in the fleet management plan (when it was originally approved). There is a risk that with continued increases in costs, budgets will need to be revised in the future

Capital programme financing 2021/22

91. Figure 6 summarises the capital funding sources applied to 21/22 capital spend:

	2021/22 £'000
Government grant	38,842
Third party receipts	1,839
s106 & Community Infrastructure Levy	5,069
External funding	**45,750**
Revenue funding for capital	453
Earmarked reserves	332
Futures Fund	5
Prudential borrowing	31,558
BCP funding	**32,348**
Capital investment programme funding	**78,098**

92. Around 59% of 2021/22 capital expenditure is funded from external sources – government grant, third party receipts, s106 developer contributions and community infrastructure levy (CIL). Most of the remaining capital expenditure is funded from prudential borrowing.

93. The use of BCP reserves to fund capital spend is restricted to expenditure for which no other sources of capital funding is identified. Examples include feasibility studies for potential future capital projects, earmarked reserves built up in partnership with

third parties, and the council's annual corporate funding for BH Live asset maintenance.

94. Approximately 40% of the Council's capital expenditure is funded from prudential borrowing.

Capital budget virements and acceptance of capital grants 2021/22

95. 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.

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

Directorate: **Operations**

Purpose: Accept new Environment Agency (EA) capital grant of £0.3 million to fund BCP cliff management strategy

This award is to fund a new BCP cliff management strategy that will enable a consistent strategic approach to cliff management to be adopted across the seafront.

Directorate: **Operations**

Purpose: Accept Historic England (HE) capital grant of £0.2 million to fund part of the Scaplen's Court museum project.

In May 2022 Council approved a £1.4 million increase in capital budget for Poole Museum (including Scaplen's Court). This grant secures £0.2 million external grant funding as part of the approved funding strategy for this budget increase.

Directorate: **Operations**

Purpose: Accept Heritage Fund (HF) capital grant of £0.2 million for the Upton Country Park Discovery project.

This is additional grant successfully secured in addition to the existing HF allocation for this project. It will be used (together with additional BCP contribution via developer funding and borrowing) to facilitate the remaining elements of the project which include provision of a volunteer facility.

Directorate: **Operations**

Purpose: Accept Active Travel Funding (ATF) from the Department of Transport (DFT) of £0.1 million.

Additional funding secured to deliver Active Travel schemes. The funds will be used to deliver permanent street furniture linked to school streets and to provide secure cycle storage in/near the Dolphin Shopping Centre in Poole.

Directorate: **Operations**

Purpose: Accept Arts Council England (ACE) Museums Estates and Development (MEND) funding of £0.5 million for the Russell Cotes Art Gallery and Museum.

Cabinet is asked to ratify the decision taken by the Chief Executive under delegated emergency powers to accept £0.5 million of MEND capital grant funding on behalf of BCP Council. This award was secured to deliver urgent capital works for the enhancement and preservation of the Grade 2 listed Museum. These will include replacement of air handling units, preservation of the conservatory and drainage improvements. The council will be required to contribute up to £0.5 million matched funding to deliver the project, to be funded from either CIL or Futures Fund (subject to approval) or prudential borrowing. If prudential borrowing is used as matched funding source, the Russell Cotes Trust will be responsible for making annual borrowing repayments.

97. The following capital virement to change funding source requires **Council approval**, as it is above £1 million:

Directorate: **Operations**

Purpose: Capitalise £1 million of highways related spend, to be funded from prudential borrowing

Around £1.0 million of highways maintenance spend has been capitalised in the year and funded from prudential borrowing. The spend includes investment in the replacement of kerbs, bollards and fencing, inspection works that result in capital replacement works, inspection works that result in new pipeworks and chambers and replacement of failing assets. Accounting treatment (as set out in the CIPFA Code of Practice) permits the capitalisation of such spend. It is proposed that prudential borrowing is used to fund the expenditure, to be repaid over 25 years at the council's low risk Invest to Save borrowing rate of 3%. This virement releases expenditure budgeted within the revenue account as noted in paragraph 48.

Housing revenue account (HRA) monitoring

98. 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.

99. Within the HRA the council operated two separate neighbourhood accounts for 2021/22. 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. In May 2022 Council agreed to bring the two neighbourhoods into a single service.

100. 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

101. In quarter three the HRA forecast a contribution of £5.9 million from its revenue account to the new build capital programme reserve (£5.4 million originally budgeted). The final contribution to HRA reserves is £6.2 million.

102. Rental income from rents (dwellings and non-dwellings) across both neighbourhoods is in line with budget and forecast. Both neighbourhood accounts reported favourable variances to budget and forecast on other income – including £0.3 million unbudgeted contributions towards expenditure from leaseholders.

103. Repairs and maintenance spend in Bournemouth neighbourhood is higher than budget and forecast. This reflects market pressures on the cost of materials and labour and the level of unbudgeted work required on void properties. This position will continue to be monitored closely during 2022/23. There are no significant variances to repairs and maintenance within the Poole neighbourhood.

104. Supervision and management spend forecasts were adjusted in quarter three to reflect the impact of increasing gas and electricity prices in the second half of this year. These estimates have largely borne out – each neighbourhood has incurred additional utilities spend to original budget of £0.2 million (£0.4 million across the HRA combined). Quarter three forecast 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 savings have also been realised in final outturn numbers. The overall underspend to budget is £0.2 million in supervision and management across the two neighbourhoods.

105. As a result of continued focus on cash collection of rents, the HRA has not had to increase its bad debt provision significantly. This has resulted in a favourable variance to budget of £0.3 million across both neighbourhoods.

106. Favourable variances of £0.3 million arose within treasury management because of reduced interest payable to budget on HRA loans.

107. The overall impact of budget variances is that the combined annual contribution to new build capital programmes for 2021/22 is £6.2 million (£5.4 million originally budgeted, increasing to £5.9 million at quarter three). This consists of £2.5 million contribution from the Bournemouth neighbourhood and £3.7 million from the Poole neighbourhood.

Bournemouth and Poole Neighbourhoods - Capital programme

108. As with the general fund, planned capital spend across both HRA neighbourhoods was reprofiled significantly in quarter three. This adjustment was made to reflect the ongoing impact of Covid-related pressures on the deliverability of the HRA capital programme. The original budget for 2021/22 estimated £56.5 million capital spend. This was reduced to £41.5 million in quarter three. Actual capital spend for the year is £38.5 million, which is 93% of quarter three projection.

109. As with the general fund, unspent approved capital budget from 2021/22 will be reprofiled into 2022/23 capital programme.

110. Work on major capital projects across both neighbourhoods has progressed steadily – including Sterte Court and Project Admiral in the Poole neighbourhood, and Moorside Road, Luckham Road / Charminster Way, Mountbatten Gardens, Templeman House, Cabbage Patch and Ibbertson Way in the Bournemouth

neighbourhood. Both neighbourhood capital programmes have required approval of additional capital budget for schemes underway. This is a result of inflationary pressures on materials and labour – the impact of Covid / Brexit on the market. Sterte Court cladding works undertaken in Poole neighbourhood benefitted from £3.0 million of external government grant funding.

111. The HRA invested £13.2 million in its annual programmed maintenance programme in 2021/22 (£6.4 million in the Bournemouth neighbourhood and £6.8 million in the Poole neighbourhood). Principal areas of investment include £3.0 million in building improvements (including doors, roofing, and lifts), £2.7 million in its kitchen and bathroom replacement programmes, £1.8 million in heating and hot water systems, £1.6 million in window replacement and £1.1 million in disabled adaptations.

HRA capital programme financing 2021/22

112. Unlike the general fund, the HRA relies significantly on its own reserves to fund delivery of its annual capital programme. Figure 7 summarises sources of funding applied to 2021/22 capital spend:

	2021/22 £'000
Government grant	3,101
Right to buy receipts	3,484
s106 housing contributions	785
External funding	**7,370**
HRA new build reserves	12,746
HRA major repairs reserve	18,392
Prudential borrowing	0
HRA funding	**31,138**
HRA capital programme funding	**38,508**

113. The HRA received £3.4 million of government capital grant funding specifically for cladding works at Sterte Court, of which £3.0 million has been utilised in 2021/22.

114. Whilst many HRA approved business cases for major capital projects assume the use of prudential borrowing, the HRA has been able utilise the HRA newbuild reserve in lieu of borrowing, with £2.4 million of funding change during the year. This has the benefit of reducing the Council's overall capital financing requirement by an equivalent amount as well as saving the HRA borrowing interest costs.

115. HRA reserves are built up from revenue contributions each year and are ringfenced to the HRA. As at 31 March 2022 the HRA has retained reserves of £11.5 million – including the newbuild reserve and major repairs reserve.

Financial risks in the HRA capital programme

116. Whilst Sterte Court cladding works are nearing completion, there is some risk that additional capital budget will need to be approved in 2022/23 to complete the scheme. Additional scaffolding costs and construction delays have led to the

deferment of contract end date. This has potential financial implications for the final contracted sums owed. An update on the final position and relevant budget approvals where required will be sought in the quarter one 2022/23 council budget monitoring reporting.

Companies and partner organisations

117. The financial sustainability of the council could also be affected by the performance of partners and subsidiaries in which it has a financial interest. Each of these entities has their own governance framework and their own arrangements for reporting their financial and operating performance.

118. The following paragraphs contain a summary of the outturns for these partner and subsidiary organisations. It should be noted that these are provisional figures and are unapproved by the respective boards of directors and are also subject to audit.

Bournemouth Building & Maintenance Ltd (BBML)

119. The trading activities of BBML consist of programmed works for the council's housing revenue account such as disabled adaptions and building works for other council owned property.

120. Turnover for the financial year was £8.9 million compared with budget of £7.4 million. Net profit for the year is £0.32 million, which is in line with budgeted net profit of £0.27 million. Broadly speaking BBML generates around 3.8% net profit on its annual turnover.

121. BBML pays the Council an annual dividend of £0.1 million.

122. Retained profit reserves of £0.78 million (after payment of annual £0.1 million dividend) have accumulated over time. Whilst retained profit reserves are earmarked to fund potential future BBML cost pressures, there is scope to make additional one-off dividend payment to the Council in 2022/23. This would help mitigate the emerging impact of cost-of-living pressures.

123. Due to the materiality level for the council's statement of accounts, BBML will not be consolidated into the group accounts.

Seascape Group Ltd

124. Seascape Group Limited owns two subsidiaries, Seascape South Limited and Seascape Homes and Property Limited.

125. The core activities of Seascape South Limited (SSL) are undertaking adaptions and conversions to non-council owned property. These are funded through disabled facility grants (DFG). Building maintenance and construction services are also provided, utilising the council's internal Construction Works Team (CWT).

126. Turnover for the financial year for SSL was £1.0 million, which is in line with the budget of £1.0 million. Provisional profit before tax is £0.1 million compared with a budget of £0.04 million, resulting predominantly from greater surpluses from works completed by CWT in the year.

127. Retained profit reserves of £0.2 million are estimated as at 31 March 2022. To date no dividends have been paid to Seascape Group Limited.

128. Seascape Homes and Property Limited (SHPL) provides housing solutions through the grant of assured short-hold tenancies to a variety of clients, including the homeless. SHPL leases properties purchased by the council to provide this housing.

129. Turnover for the financial year for SHPL was £1.4 million, which is in line with the budget of £1.4 million. Provisional profit before tax of £0.03 million is expected, which is also in line with budgeted expectation of £0.03 million.

130. The results of the subsidiaries are combined to form the results of Seascape Group Limited (SGL). The provisional turnover for SGL was therefore £2.4 million (budget £2.4 million). Provisional profit before tax of £0.1 million is in line with budgeted profit before tax for the two subsidiaries.

131. Due to the materiality level for the council's statement of accounts, Seascape Group will not be consolidated into the group accounts.

Charities

132. The council has close links to three charities, the Five Parks Charity, Lower Central Gardens Trust and Russell-Cotes Art Gallery & Museum Charitable Trust.

133. Due to the materiality levels for the council only Lower Central Gardens Trust will be included in the council's group accounts. Materiality is assessed with reference to the size of the asset base in the balance sheet.

The Bournemouth Development Company LLP

134. Bournemouth Development Company LLP ("BDC") is a joint venture between the Council and wholly owned subsidiary of Morgan Sindall Investments Ltd.

135. BDC is an active development partner and regeneration catalyst for the delivery of the Bournemouth Town Centre Vision.

136. BDC has a different year end to the council, consequently the figures incorporated in the council's group accounts rely on an amalgamation of the pro rata amount from the joint venture's 31 December 2021 yearend figures and from the quarter 1 management account information to 31 March 2022. Figures are not available to include in this report due to differing financial reporting years.

Tricuro

137. Tricuro is a group of two companies established under local authority trading company principles to undertake a range of adult social care services on behalf of the now two local authorities in Dorset. Staff transferred from each of the local authorities to the new company with the aim of improving service provision and efficiency.

138. It is structured as a care company (Tricuro Limited) and a company providing support services (Tricuro Support Limited), with management through a joint Board. Tricuro Support Limited holds the contractual relationships with the two commissioning councils, as well as the property leases and support services agreements.

139. Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited.

140. The turnover of Tricuro in 2021/22 was £44.3 million, with £17.6 million (40%) attributable to the contract with BCP Council, £23.2 million (52%) from the contract with Dorset Council, £1.5 million (3%) from independent fee and charges and £2 million (5%) from specific COVID-19 related funding.

141. Due to the materiality level for BCP Council statement of accounts Tricuro will not be consolidated into BCP Council's group accounts as the operating assets have remained with each council.

Aspire Adoption

142. Aspire Adoption is a partnership between BCP and Dorset Council.

143. Aspire work in partnership with Families for Children, a local voluntary adoption agency.

144. The purpose is to provide services for children and families through enabling and supporting the adoption and special guardianship process.

145. BCP contribution to the partnership is £1.2 million with Dorset Council contributing £0.9 million.

Scenarios

146. This is in the main an outturn report with different scenarios no longer relevant. Provisions have been calculated according to agreed polices and best estimates used to close the accounts when final charges and income due have not yet been received or notified.

Summary of financial implications

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

Summary of legal implications

148. 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 financially viable over the current year and into the future.

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

151. 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

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

Summary of risk assessment

153. Monthly budget meetings to consider key aspects of the council's operations overall will continue to take place over 2022/23, including a separate meeting to monitor the financial position of children's services under its new leadership.

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

9 February 2021 - 2021/22 quarter three budget monitoring report

http://ced-pri-cms-02.ced.local/mgChooseDocPack.aspx?ID=4841&LO=1

Appendices

Appendix A1	Budget variances greater than £100,000 2021/22
Appendix A2	General fund revenue summary March 2022
Appendix B	Schedule of earmarked reserves March 2022
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