

## Appendix D

Report subject	<b>2022/23 Quarter One Budget Monitoring Report</b>
Meeting date	Cabinet 7 September 2022
Status	Public Report
Executive summary	<p>This report includes 2022/23 budget monitoring information as at the end of June 2022.</p> <p>Overall, compared with the projected balanced position at the end of May, the first quarter is showing an overspend of £1.7m. There is a net projected overspend within services of £10.8m, with the largest element £7m within children's from undelivered savings and additional staff costs. This is offset by a surplus on central budgets of £9.1m, in the main from additional income, and after allowing for the additional pressure from proposals made in July by the national negotiating body regarding staff pay.</p> <p>The updated 2022/23 projections for reserve movements, the capital programme and housing revenue account (HRA) are also included.</p>
Recommendations	<p><b>It is RECOMMENDED that Cabinet:</b></p> <p><b>1. Agree the acceptance of capital grant and virements as set out in paragraph 76.</b></p>
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.
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### Background

1. In February 2022 Council agreed the annual general fund net revenue budget of £272m, a capital programme of £154m and the net use of earmarked reserves to support services of £34.7m. Budgets were also agreed for the housing revenue account (HRA).

### Revenue budget monitoring at June 2022

2. The quarter one projection for the 2022/23 revenue budget outturn is an overspend of £10.5m within services and a surplus of £9.1m in central budgets to give a net deficit of £1.7m.

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3. The table below is a summary of the revenue outturn position as projected at the end of quarter one.

**Figure 1: General Fund – Summary projected outturn for 31 March 2022**

Directorate	Revenue	Working Budget	Forecast Outturn	Forecast Variance
Adult Social Care	Expenditure Total	155,939	160,060	4,121
	Income Total	(49,820)	(53,484)	(3,664)
<b>Adult Social Care Total</b>		<b>106,119</b>	<b>106,576</b>	<b>457</b>
Children's Services (excl. DSG)	Expenditure Total	87,769	94,817	7,048
	Income Total	(14,086)	(14,160)	(74)
<b>Children's Services Total</b>		<b>73,683</b>	<b>80,657</b>	<b>6,974</b>
Commissioning Centre of Excellence	Expenditure Total	35,190	36,102	912
	Income Total	(23,401)	(24,313)	(912)
<b>Commissioning Centre of Excellence Total</b>		<b>11,789</b>	<b>11,789</b>	<b>(0)</b>
Operations	Expenditure Total	166,664	171,702	5,038
	Income Total	(110,211)	(114,533)	(4,322)
<b>Operations Total</b>		<b>56,453</b>	<b>57,169</b>	<b>717</b>
Resources & Chief Executive Office	Expenditure Total	178,492	180,103	1,611
	Income Total	(115,283)	(115,832)	(548)
<b>Resources &amp; Chief Executive Office Total</b>		<b>63,209</b>	<b>64,271</b>	<b>1,062</b>
<b>Net Cost of Services</b>		<b>311,252</b>	<b>320,463</b>	<b>9,210</b>
Transformation (including target savings)	Expenditure Total	16,744	16,744	0
	Income Total	(23,590)	(21,995)	1,595
<b>Transformation Total</b>		<b>(6,846)</b>	<b>(5,251)</b>	<b>1,595</b>
<b>Net Position</b>		<b>304,406</b>	<b>315,212</b>	<b>10,805</b>
Beach Huts Securitisation of Income Stream		3,700	0	(3,700)
Interest on cash investments		(45)	(1,365)	(1,320)
BDC Winter Gardens Provisions Reduction		0	(1,000)	(1,000)
Other Corporate Items		(308,062)	(311,186)	(3,124)
<b>Total Budget</b>		<b>(0)</b>	<b>1,661</b>	<b>1,661</b>

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

### Summary of 2022/23 projected outturn by directorate

5. The following paragraphs summarise the projected 2022/23 budget position for each directorate.

### **Adult Social Care - net overspend £0.5 million (0.4%)**

6. The net overspend is the same as projected in the May MTFP update report of £0.5m. Pressures have grown by £1.7m associated with the rising cost of care home fees and domiciliary care packages to support patients leaving hospital, bringing the projected annual pressure to £3.5m. This includes an estimate of the impact of the cost of care exercise planned to conclude in September. Mitigating factors have also increased to offset. These include additional income from the NHS for continuing health care (CHC) and Section 117 of £1.2m and from service user contributions of £0.4m. There is anticipated delayed demand for care from people with learning disabilities and mental health issues estimated at £0.6m, greater use of earmarked reserves specific to the service of £0.4m, budget adjustments for covid grants of £0.3m and increased unfilled vacancies of £0.4m.
7. With other miscellaneous pressures (each less than £100k) including increased energy costs for administrative buildings and reduced income from other local authorities of £0.2m, the overall position is an outstanding inflationary risk of £0.5m.
8. There is reasonable confidence that savings plans for 2022/23 will be achieved and there is anticipated additional income expected from charging and CHC case costs. There are, however, also risks associated with the increasing cost of residential care homes and inflationary pressures. Work will be undertaken to mitigate these risks, and consequently they are not reported as projected overspend in quarter one, but it should be recognised that the scale and volatility of adult social care budgets means that a much clearer picture of the outturn will emerge later in the year.

### **9. Commissioning**

10. Anticipated energy and inflationary costs incurred by the Local Authority Trading Company (Tricuro) of £0.2 million are expected to be managed by the company.

### **Children's Services - net overspend £7 million (9.5%)**

11. The projected net overspend for children's services is £6.9m, an increase of £4m compared with the May projection.
12. Pressures include an additional £0.75m in transport for children with special educational needs and disabilities (SEND). Fee increases requested from the market are between 8%-16%, this is far higher than was anticipated and allowed for in the budget setting. Additional routes for the new caseload and the cost of fuel have also impacted. There is currently an estimated saving of £0.2m in mainstream transport.
13. The total pressure on staffing is forecast to be £2.6m. 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 establishment posts within social care. There has been an impact from the cost-of-living crisis and the hourly rate for a social worker has increased considerably. The workforce strategy is being finalised to attract and retain permanent social workers. There is optimism that the workforce strategy will realise some cost reductions this year (but without any evidence yet of success these have not been built into the current forecast) but there is more confidence that the impact will be seen in future years.

14. As a continuation from the last financial year, 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. The current forecast assumes contracts will continue only until the end of September 2022.
15. As part of the budget there was an assumption that the service would create a children's residential home to be run by a third sector provider. This was an aspiration of the previous children's leadership team but the capital bid to the Department for Education was unsuccessful with the scheme unable to progress. The resulting budgeted saving of £0.2m will not now be delivered.
16. The final pressure relates to a potential shortfall in grant funding for our unaccompanied asylum seeking children (UASC) cohort. Between October and December last year many individuals (male) were placed in local hotels by the home office. The service is still identifying the age of these individuals as the home office require age assessments for each person to ascertain what level of funding the authority receives to cover the cost of services provided. The level of funding received for those over 18 is far lower than those aged under 18. The forecast pressure is based on the number of age assessments in query with the home office.
17. It is important to recognise that the current pressure of £6.9m does not include any growth for care placements. The current budget is deemed to be sufficient for our current children in care at their current placement. In previous years we have seen growth through the year in the region of £2m so there could be additional pressures reported later in the year depending on new demand/changes in current packages.

### **Operations – net overspend £0.7 million (1.3%)**

18. Overall, operations budgets are projecting a small overspend, £0.6m higher than at the end of May. Pressures have increased by £1.4 million to £7.2m. Saving of £5.8m had already been identified at May with additional income and further savings of £0.8m forecast in June. The main pressures relate to the rising cost of living, such as the significant growth in utilities costs (unchanged since May) of £3.3m plus higher fuel costs. Mitigation plans are being developed to address these. Income generating activities, such as carparking have benefitted from good weather over the first quarter but some additional associated costs have been identified in June to offset. Positive income movements since May are in the green waste service and further charging of staff time to the capital programme.

### Communities

19. Within the communities directorate there are no individual material pressures. Fees and charges not governed by statutory provisions have been reviewed and increases will be applied to reflect rising costs in line with corporate guidance.

### Environment

20. Environment is seeing a strong budget performance with a positive position on recycling price per tonne generating £1m additional income as reported in May.

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21. Identified in June is the additional income from the green waste service of £0.3m due to recognising in the 2021/22 outturn the current year price adjustment to reflect lost rounds due to covid last year.
22. In the bereavement service, cremations income pressures have risen by £0.1m to £0.6m with further work being undertaken to mitigate. The impact of high-cost inquests on the coroner's service is unchanged from May at £0.1m.
23. Fuel prices remain volatile, and the service are working to mitigate this, including consideration of notice to stop all non-essential travel.

### Transport and Engineering

24. The May forecast of net additional income for car parks of £1.1m is on target to be achieved. New pressures on the cost of providing the service have been identified in June, mainly due to the increased use of electronic payments and resulting higher charges from suppliers. Also, IT licenses and business rates payments are above budget. Further work is being undertaken to mitigate these costs.
25. There is more work on capital schemes than anticipated, which results in staffing costs being charged to capital schemes. This year this is expected to benefit revenue by £0.3m.
26. Street lighting electricity pressures within the £3.3m total above is £2.1m and work is being undertaken to develop proposals to mitigate these price rises.

### Destination and Culture

27. Seafront services forecast performance to June is in line with expectations, with initial indications that July has performed well, and it is anticipated that forecasts will improve for quarter two reporting after the end of the summer season.
28. The management fee income shortfall for BH Live has risen to £0.4m. BH Live are currently trading well, however the impact of the cost-of-living crisis on customer behaviour is difficult to predict. Work is on-going with the organisation to bring the forecast outturn back in line with expectations and it is hoped a reduction in the pressure can be reported by quarter two.

### Planning

29. The planning service is currently forecasting a balanced budget position. However, there are significant pressures within the service, due to significant additional costs of agency staff. This is now being addressed through a plan to transition away from reliance on agency staff throughout the remainder of this financial year, and by drawdown of reserves earmarked for the service.

### Housing

30. Housing expects to fully utilise its £2.0m in-year homelessness prevention grant allocation. This grant is ring-fenced with £5.1m in earmarked reserves from previous year allocations, which is planned to be fully spent by the end of 2024/25 by continuing activities to reduce homelessness. The income shortfall predicted in May from the acquisition strategy of £0.5 million has reduced to £0.2m in June following a review of activity.
31. Forecast telecare income of £1.4m is expected to be achieved - £1.1m has been recognised to date, and a further £0.3m is anticipated from equipment rental charges

to associations and new equipment installations. Staff vacancies within the operations centre continue to be filled. A forecast net pressure of £0.25m is presented to reflect a budget realignment identified at outturn.

32. The construction works team (CWT) is on track to meet budgeted surplus of £0.3m. Major projects CWT is delivering this year include housing schemes on behalf of the Housing Revenue Account (HRA) at Wilkinson Drive and Northbourne, Skills & Learning relocation to the Dolphin Centre, Poole Library and Durley Innovation Hub. Net budget surplus for the in house team is expected to be delivered.
33. Net rental income from Seascope Homes & Properties Limited of £1.1m is forecast to be achieved. Garages and photovoltaic net surplus budget of £2.2m also on course to be achieved. Cost pressures in relation to the cost of scaffolding for 'pigeon proofing' are expected to be managed from within existing budget allocations.
34. The costs of administering Ukraine, Syrian and Afghan resettlement schemes are expected to be fully funded from in-year government grant allocations.
35. At £0.2m, utilities pressure from increasing gas and electricity prices is consistent with that forecast within the cost-of-living review reported in May.
36. Housing services has identified £0.7m of cost-of-living mitigation savings. These remain on course to be delivered and the service is forecast to overall provide a surplus end of year position.

### **Resources & Chief Executive Office - net overspend £1.1m (1.7%)**

37. The main pressures continue to be for utility costs and contract payments for IT systems and the library PFI.
38. Facilities Management: The May cost of living exercise estimated £0.5m utilities pressure from rising prices. Review at the end of quarter one has highlighted the need to increase this by £0.1m. The assumptions in the forecast include that the Oakdale site is vacated by September 2022, as the skills & learning service relocates to the Dolphin Centre. Staff parking income from 1 August 2022 will be used to offset unbudgeted operational costs of Poole Civic Centre. No adjustments are proposed this quarter to repairs & maintenance spend across the civic estate, but this position will be reviewed as part of the MTFP refresh in quarter two. To date the Council has incurred £0.1m of works that are expected to be reimbursed from third party insurance claims, and £0.2m of building surveyors and client project managers salaries are expected to be capitalised during the year.
39. Finance: Pressures from staff changes within accountancy are expected to be managed within budget. Additional resources have been recruited to provide further support for the financial administration of the Resources directorate. These posts are temporary to 31 March 2023 and will be funded from the Transformation programme. There is potential for future savings of £0.1m from health & safety and procurement stationery savings. These are indicative only at this stage and will be reviewed as part of autumn MTFP refresh.
40. ICT: No change is proposed to the cost of living pressure of £0.2 million for software contract inflation, the majority of which is within ICT services. The service also retains historic base budget revenue allocation of £0.2 million for ICT replacement. This budget has not yet been utilised in quarter one.

41. Law & Governance: Income from registrars (including the provision of wedding ceremonies) exceeds budget in quarter one. This will be used to offset the related additional salary costs approved in June. The service retains the option to further increase the prices of future wedding ceremonies to help manage costs of service provision. A full costing exercise of the activity is planned for this year. Legal Services continues to have staff vacancies, which are in the process of being filled. This has resulted in the employment of additional temporary staff. Overall, the service is forecast to remain within budget from savings in external consultants.
42. Major projects team: This team manages delivery of both capital and revenue projects and is funded from a combination of capital resource, revenue budget, external grants, and the transformation programme. There is currently an unfunded salary related pressure of £0.1m for 2022/23 with the potential for this to increase to £0.4 million in 2023/24 and then reducing to £0.3 million in 2024/25 with the current allocation of budget from the transformation programme.

### **Transformation Savings – shortfall of £1.5m**

43. Transformation savings of £8.7m have been built into the budget for 2022/23. At the end of quarter one £1.5m of savings have not yet been identified for delivery.
44. The savings identified include £0.8m saving from business support staff. Further work is underway looking at third party spend savings.

### **Central Items - net surplus £9.1m**

45. In setting the 2022/23 budget 3.1% was set aside for assumed pay award inflation. This was subsequently updated to 4% for the May position reflecting the increasing levels of inflation. This extra provision will now be insufficient to cover the “final” offer made by the National Employers for local government services who have proposed a flat rate increase of £1,925 on every spinal column point plus an additional day’s annual leave, which calculates as an average 5.4% for our staffing mix. The baseline forecast takes account of the fact that the pay award is likely to add an extra £4.1m to the cost base of the council over and above the £5.5m allowed for as part of the original 2022/23 budget. Work on the impact of the extra days leave is ongoing and will need to be factored into future budget monitoring updates.
46. The council in 2021/22 recognised £5m 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. Since making this provision the West Cliff Mansions (Durley Road) development has been successfully delivered. Profit from this scheme will be retained by BDC and offset the need for the full provision set aside in 2021/22. The benefit to the Council is circa £1m.
47. Release of the £2.3m base budget revenue contingency for 2022/23. This approach will mean there are no resources set aside for any variations that might occur in the remaining nine months of the financial year.
48. Release of the £3.7m assumed revenue budget impact of the proposal to securitise the beach hut income stream included as part of the 2022/23 original budget. This net reduction includes foregone income, loan repayments and guarantee fees.

49. Investment income is forecasted to deliver £1.3m over budget. This is reflective of increasing interest rates as well as cash balances than previously forecasted.

**Reserves monitoring 2021/22**

50. Earmarked reserves have been set aside for specific purposes and these were reconsidered in May as part of the cost-of-living measures. This resulted in the decision to release £5.2m of reserve set out in detail below to offset pressure identified in year.

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

**Figure 2: Summary of projected movements in reserves**

	Balance 1 April 2022	Balance 31 March 2023	Movement
	£m	£m	£m
Un-earmarked reserves	15.3	16.0	0.7
Earmarked reserves*	114.3	53.6	(60.7)
<b>Total reserves</b>	<b>129.6</b>	<b>69.6</b>	<b>(60.0)</b>

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

\*Earmarked reserves include:

- £28.5m specifically in relation to Covid.
- £36.2m to support the 2022/23 budget and £14.8m towards the 2023/24 budget.

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

**Financial Resilience Reserves**

- a) £10,692k      **MTFP Mitigation Reserve**  
As per the approved 2022/23 budget reserve to be fully draw down
- b) £3,286k      **Outturn 2021/22**  
As per the approved 2022/23 budget reserve to be fully draw down
- c) £9,982k      **Covid 19 Financial Resilience Reserve**  
As per the approved 2022/23 budget reserve to be fully draw down
- d) £3,595k      **Reserve in support of Regeneration**  
As per approved outturn position 2021/22 a number of reserves have been set aside to support regeneration programmes such as work on Poole Civic Centre and Seafront Strategy. Includes assumption that unearmarked balance of £1.4m contributes towards projected overspend.



**Transition and Transformation Reserves**

- e) £14,149k                      **Transformation Mitigation Reserve**  
 Drawn down as per the approved 2022/23 budget

**Government Grants**

- f) £3,647k                      **Contain Outbreak Management Fund**  
 Monies received in relation to pandemic planned to be fully utilised in 2022/23.
- g) £1,402k                      **Covid 19 Sales, Fees and Charges Grant**  
 Release of grant to support 2022/23 position.

**Dedicated Schools Grant (DSG) 2022/23**

52. The 2022/23 budgeted high needs funding shortfall is £16.7 million. Other DSG blocks have been set with balanced budgets with no surplus available to reduce the overall funding gap. This budget is being monitored through the High Needs Block Deficit Recovery Board.
53. The accumulated deficit is expected to increase from £20.3m at 1 April 2022 to £37m by the end of the year with no budget variance yet projected as shown in the table below:

**Figure 3: Summary position for dedicated schools grant**

Dedicated Schools Grant	£m
<b>Accumulated deficit 1 April 2022</b>	<b>20.3</b>
Budgeted high needs shortfall 2022/23	16.7
Projected in-year pressure / saving	0
<b>Projected accumulated deficit 31 March 2023</b>	<b>37.0</b>

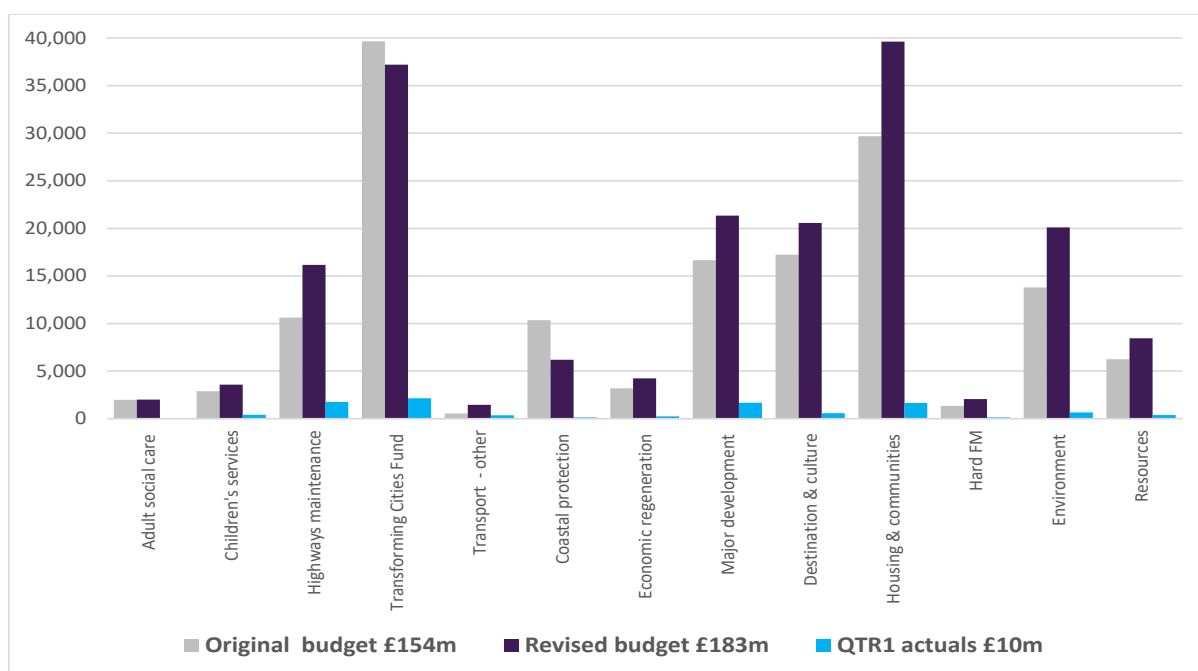
**Capital budget monitoring at June 2022**

54. This report covers the council's budgeted capital investment programme (CIP) in respect of general fund capital expenditure only. Housing revenue account (HRA) related capital spend is reported separately within this report.
55. The capital investment programme includes only approved capital schemes that are supported by robust business cases. It does not include pipeline projects that are awaiting business case development and subsequent approval. It also excludes capital funding that, whilst approved, has not yet been allocated to capital projects (for example, £20 million Green Fund) and also schemes undertaken in partnership with the Bournemouth Development Company (BDC).
56. In February 2022 Council approved a general fund capital investment programme budget of £154.1m for 2022/23. This budget has since evolved, to include net £9.6m of new capital schemes approved outside of the February budget approval process (including £7.7m of new housing under the Council Newbuild & Housing Acquisitions Strategy (CNHAS)), and the carry forward of £22.4m unspent approved capital budget from 2021/22. Further budget reductions of £3.3m were made in quarter one. These have all received appropriate approval in line with

BCP financial regulations. The revised capital programme for 2022/23 now stands at £182.9 million. The chart below reflects quarter one spend against this revised programme.

- 57. Delivery of the annual capital programme has in previous years accelerated in quarters three and four of the financial year. This year is no exception. As at 30 June 2022, around £10.1m of the revised full year capital budget of £182.9m has been spent. This is around 5.5% of the full year capital budget, which is broadly in line with previous years.
- 58. The governance process for the capital programme requires capital scheme project managers to continually review and assess scheme progress and to advise as soon as changes to planned spend are required. This is a continual process, with resulting revisions to the capital programme reported to council quarterly through the council budget monitoring (CBM) process.
- 59. Figure 4 below summarises capital spend by directorate.

**Figure 4: Capital Budget Monitoring at 30 June 2022**



- 60. A full narrative on scheme progress and emerging risks and issues is provided as Appendix D C.

**Financial risks**

- 61. Whilst all capital project budgets approved within the programme are supported by business cases, there is inherent risk that the financial modelling underpinning these business cases is no longer accurate. This risk relates to both capital spend estimates and future income stream projections. The risk is heightened this year because of the impact of ongoing market pressures on raw materials and labour prices and current cost of living estimates on household disposable income – forecasts of 12.5% inflation drift. Advice from the council’s insurance brokers is that thorough re-costing exercises for major capital projects are undertaken before they are commenced – particularly where capital budgets

were approved over four months ago. Reliance on contingencies within capital projects alone does not provide sufficient assurance over adequacy of capital budgets approved.

62. New capital funding will need to be identified and approved to fund potential capital budget increases. The council has limited capacity to take out new prudential borrowing in respect of this, until it formally approves an increase in its borrowing limit.
63. There is risk of abortive spend on capital projects that are in the early stages of delivery, but which either require business cases to progress or are no longer financially viable because of current market conditions.
64. There are financial risks around potential repayment of capital funding received that would potentially have to be returned should project milestones fail to be met. This includes capital grant funding (for example, £0.5 million Homes England grant funding for Princess Road) and capital receipts. The council currently assumes £1.8 million capital receipts funding for Transformation from the disposal of surplus land around the hospital. This receipt can only be utilised if milestones under sale agreement are met.
65. There is specific risk that income projections factored into the MTFP from planned capital investment are not achieved at the pace and extent as that originally assumed when capital budget was approved. Rental income from the CNHAS programme is one such example. Forecast rental income assumptions in the MTFP have now been reduced.
66. The council seeks to maximise the use of external government grants to help deliver its capital ambitions. There is risk that grant will need to be repaid or replaced with alternative capital funding should the council be unable to meet relevant grant conditions. Salix grant funding is one such example, as reflected in the capital budget virements section of this report. There is also risk that approved capital schemes funded from fixed government grant awards will either need to be revised or alternative funding secured, should costs exceed grant funding available – for example the Transforming Cities Fund programme.
67. There is financial risk around the availability of future third party contributions assumed within the capital programme – given current economic conditions.
68. The council has retained an underlying £0.3 million unallocated ‘capital fund’ (funded from previous years’ contributions from revenue budget) to fund feasibility work for potential future capital schemes and to provide match funding for projects to leverage in new external funding. For context this is equivalent to 0.07% of the current 5-year capital programme (£408 million over 5 years). This is a comparatively modest allocation. No provision has been made within the MTFP to increase this.

### **Capital investment programme – funding £182.9 million.**

69. The table below summarises capital funding allocated to finance the 2022/23 capital programme. As in previous years approximately 50% of the programme is funded from external sources (government grant, third party receipts, s106 contributions and community infrastructure levy (CIL)). The majority of capital funding utilises prudential borrowing, the annual borrowing repayments for which have been factored into the MTFP.

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70. The revenue funding for BH Live capital requirements is limited to an annual £0.5m contribution to provide for the council's maintenance obligations. This is in addition to £0.6 million unspent revenue funding for BH Live maintenance brought forward from prior years.
71. The ongoing need for this commitment will be reviewed as part of the first draft MTFP refresh.
72. Specific earmarked capital (£0.6 million) and revenue (£0.7 million) reserves are allocated to individual capital schemes in the capital programme, including the Heart of Poole.

General Fund	Planned Programme
	2022/23 £'000
Government Grant	78,541
Third Party Receipts	1,256
s106	2,874
CIL	2,324
<b>External Funding Contributions</b>	<b>84,994</b>
Corporate Revenue Funding for Capital (in year)	521
Capital Fund (previous years revenue funding for capital)	569
Capital Receipts	93
Capital - Earmarked Reserves	633
Revenue - Earmarked Reserves	713
PRU Borrowing - funded from Futures Fund	4,162
PRU Borrowing - funded from HRA land transfers	1,337
PRU Borrowing - funded from MTFP revenue budget	89,882
<b>BCP Funding Requirement</b>	<b>97,909</b>
<b>Capital Investment Funding</b>	<b>182,904</b>

### Approved capital funding not yet allocated to capital projects

73. In addition to the £182.9 million capital funding currently allocated to the 2022/23 capital programme the council has the following funding available to support future projects:

- £41.3 million of Futures Fund approved borrowing
- £20.0 million of Greens Fund approved borrowing
- £10.0 million of SEND infrastructure approved borrowing
- Children's services - High needs capital grant funding
- Capital reserves - up to £1 million

### Capital investment outside of the capital programme

74. The council also plans to invest in major capital schemes in partnership with the Bournemouth Development Company (BDC) and Future Places, the council - owned company.

## Capital budget virements and acceptance of capital grants

75. 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.
76. The following capital virements to accept new grants require **Cabinet approval**:

### **Directorate: Operations**

**Purpose:** Accept new capital grant of £0.2m from the Wolfson Foundation as funding contribution towards the redevelopment of the Poole Museum.

This award will be used as funding towards the Poole Museum project, which will invest to create three new maritime galleries, increase interactive displays, conserve and restore Wool Hall (a significant Grade I listed medieval part of the building) and to provide better access for visitors.

### **Directorate: Operations**

**Purpose:** Approve a new capital project for the Library ICT Replacement Programme for the total value of £0.5m (of which £0.1m was spent in 21/22)

This was originally approved as a revenue project for ICT replacement in libraries. In line with the council's ICT strategy, which capitalises ICT spend and funds from capital resources, Cabinet is asked to approve the £0.5 million Library ICT replacement programme as a new capital project within the capital programme. It is proposed that the project is funded from prudential borrowing, subject to Council approval to increase borrowing limits. In the event that additional borrowing is not available, residual earmarked revenue reserves will be used to fund the project.

## Housing revenue account (HRA) monitoring

77. 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.
78. 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, up until 30 June 2022 was managed by Poole Housing Partnership (PHP). PHP operated as an arm's length management organisation (ALMO) in line with a management agreement with the council, but formally ceased operating 1 July 2022. All assets and liabilities and PHP staff transferred into BCP Council on that date.

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

### Revenue account

80. Dwelling rents - under the national rent policy the council must ensure that there is clear oversight of rent setting and implementation throughout the year. The oversight of rent setting is provided within the HRA budget setting papers as presented to council in February 2022 which set out a local scheme in line with the national rent standard. This approach has now been implemented with properties categorised correctly for rent setting and in line with January 1999 valuation requirements. Internal controls ensure that compliance with the required policy is in place and the council can be assured that the rent standard has been applied correctly.
81. Rental income of £45.2m is budgeted from dwelling and non-dwelling rents. This is on course to be achieved – with £11.7m billed for quarter one. This is in line with budget and no adjustments to forecast are therefore proposed.
82. The Poole neighbourhood windows maintenance contract has been relet with a higher than anticipated inflationary uplift. This has resulted in an increase of £0.2 million to the £10.5m repairs and maintenance budget approved in February 2022. Supervision and management costs include utilities spend. Whilst significant uplift in these costs was budgeted for, a further £0.2m increase is forecast in the Poole neighbourhood. These forecasts are considered reasonably cautious. They reflect considerable increase to prior year actual spend, but at the same time represent current market conditions and pressures.
83. Overall, a net surplus of £5.6m (budget £6.0m) is forecast to be transferred into ringfenced HRA reserves to support the HRA's ongoing capital housing stock investment and maintenance needs.
84. Work will commence in quarter two to establish consistent accounting policies across the two neighbourhoods. This will include a review of depreciation policy, common approach to year-end housing stock valuations, and to agree funding sources for capital projects.
85. As part of the council's housing options model review, planned workstreams will also include service delivery policies for both neighbourhoods (for example housing stock voids and repairs).

### Capital programme

86. In February 2022 council approved an HRA capital programme budget of £63.1m for 2022/23. This includes £48.1m investment in major projects – including those delivered as part of the Council Newbuild Housing & Acquisitions Strategy (CNHAS)) and £15m in planned maintenance. Unspent approved capital budget on major projects of £7.8m has been brought forward from prior year and added to current year capital budget allocation.
87. Of this, £3.3m has been spent in quarter one on HRA major projects, including Cynthia House, Project Admiral, Moorside Road, Northbourne Day Centre and Princess Road. A further £2.1m has been spend on planned maintenance (principally windows, bathroom and kitchen refurbishments and disabled adaptations). In total around 8% of HRA capital budget has been utilised in quarter one.

## Appendix D

88. The same key financial risks apply to the HRA capital programme as the general fund capital programme. These centre broadly around the ongoing increase in capital budgets as a result of price / cost escalation and reduced availability of new capital funding. In previous years new capital projects could potentially have been part funded from HRA capital reserves or unapplied to buy receipts. The availability of these receipts is reducing as historic unallocated funds are allocated to capital schemes within the HRA capital programme.
89. As a result of local authority lobbying, the (now) Department for Levelling Up, Housing and Community (DLUHC), published a revised policy for the use of Right to Buy (RTB) receipts retained by local authorities. With effect from 1 April 2021, the policy provides greater flexibility to local authorities by:
- Increasing the period in which RTB should be utilised from 3 to 5 years (any receipts not utilised within this period are required to be paid to MHCLG)
  - Increasing the proportion of affordable housing capital spend eligible for RTB funding from RTB from 30% to 40%
  - Local authorities will now be able to use RTB to fund new builds designated for shared ownership
  - Pooling returns are now required to be submitted to government annually instead of quarterly (although quarterly management information returns are still required)
90. From 1 April 2022 a new cap has been introduced to restrict the number of homes purchased (as opposed to newbuild) using RTB receipts.

### Background papers

February 2022 Cabinet papers

### Appendices

Appendix D - A1 Projected variances greater than £100,000 for 2022/23

Appendix D - A2 Revenue summary position 2022/23

Appendix D - B Schedule of forecast movement in reserves for 2022/23

Appendix D - C Capital programme progress 2022/23

Appendix D - D1 Summary of HRA revenue budget monitoring for 2022/23

Appendix D - D2 Summary of HRA capital budget 2022/23