

Report subject	Finance Update Report to Minutes of Cabinet meeting held on 8 February 2023 (Minute No. 117 Refers)
Meeting date	8 March 2023
Status	Public Report
Executive summary	The council continues to take all necessary actions to balance the budget and to eliminate any need for Exceptional Financial Support in 2022/23.
Reason for update	This report provides Cabinet with an update in respect of the latest position on in-year asset sales which will impact on the extent of the capitalisation direction previously requested for 2022/23 is actually required.
Portfolio Holder(s):	Cllr Mike Greene – Portfolio Holder for Finance, Net Zero and Transport
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Wards	Council-wide
Classification	For Information

Background Detail

1. In the recently approved budget for 2023/24 matters associated with the capitalisation direction for 2022/23 were identified as a key risk. Reference was made to both the ability of the council to achieve asset sales as a mechanism to eliminate the amount of exceptional financial support as much as possible, as well as governments completion of the process to confirm the availability of the capitalisation direction.
2. As a reminder a capitalisation direction provides the ability to borrow to fund revenue expenditure which is generally disallowed by legislation and for the cost to be spread over a 20-year period. In his letter of 2 September 2022 Paul Scully MP, the then Minister of State at the Department for Levelling Up Housing and Communities

(DLUHC) the council was offered a minded to, in principle, £20m capitalisation direction for 2022/23 subject to the following conditions.

- Producing a balanced budget for 2023/24 which seeks to use all the resources available to the council to close the budget gap, be fully within the spirit and intent of all local government guidance and aim to eliminate any amount of exceptional financial support required going forward.
- An external review of the council's finances and governance arrangements to take place in the autumn of 2022.

3. Reflecting on each of these in turn the recently approved budget was premised on the basis that.

- a) £19.9m in forecast 2022/23 revenue spend on the transformation investment programme would be financed, via the flexible use of capital receipts, from asset sales.

An amount of £1.9m in unapplied capital receipts was brought forward from previous years leaving £18m in additional receipts to be generated in 2022/23 if a capitalisation direction for this element is to be avoided.

At the time of writing the council is forecasting it will generate £21.1m in actual receipts during this financial year which would cover the costs for the transformation programme in 2022/23 and result in £3.1m being carried forward into 2023/24. This includes forecast receipts from both the Wessex Trade Centre and 13 of 16 lots associated within Airfield Industrial Estate all of which were in line with or greater than the disposal value agreed by Council. The council will now look to sell the remaining 3 lots at Airfield Industrial Estate through private treaty or auction in 2023/24.

The extent to which the council does manage to avoid needing a capitalisation direction to fund this element of the programme in 2022/23 will depend on both the final in-year expenditure on the transformation programme and the final amount of capital receipts actually received prior to 31 March 2023.

- b) £1.92m forecast 2022/23 revenue spend of the Children's Services transformation investment programme would be funded via a capitalisation direction.

It has consistently been assumed that this expenditure does not meet the definition which would enable it to be funded via the Flexible Use of Capital Receipts. However, additional assurance work is now to be undertaken to confirm if this continues to be the case. Any cost within that which can be covered under the FUCR would reduce the £1.92m required and would consequently reduce the amount of capital receipts carried forward into next year.

Recognising the commitment to eliminate the amount of exceptional support as much as possible the approach will be to use any improvement in the 2022/23 financial outturn that may materialise, to avoid or reduce the extent to which the capitalisation direction is required.

The forecast outturn for 2022/23 continues to be £10.6m as per the 2023/24 budget report as adjusted by £0.5m of the extra resources released under the final local government finance settlement for 2023/24 and which formed the basis of the approved budget amendment.

4. In respect of the external finance and governance review the latest position is that DLUHC continue to signal their intent to commission this review shortly as set out in the letter from Lee Rowley dated 25 January 2023, the work having been slightly delayed due to the reshuffle of Ministers.
5. To provide assurance to DLUHC that the council is working proactively on these matters the Leader has recently written to Lee Rowley as attached at Appendix A. In addition, he has asked the Chief executive to proactively carry out an assurance review.
6. The council is also keen to strengthen its relationship with the External Auditor and the Leader has recently met with Paul Barber at Grant Thornton to that effect.

Options appraisal

7. The council retains the option not to take up the offer of a capitalisation direction for 2022/23. This is something it will wish to consider further once the final 2022/23 outturn is known alongside any conditions included the final offer letter.

Summary of legal implications

8. As set out in the substantive report.

Summary of human resources implications

9. There are no direct human resource implications of this report.

Summary of sustainability impact

10. There are no direct sustainability implications of this report.

Summary of public health implications

11. There are no direct public health implications of this report.

Summary of equality implications

12. There are no direct equality implications of this report.

Summary of risk assessment

13. As set out in the substantive report.

Background papers

14. None.

Appendices

- A Letter from BCP Council Leader to Lee Rowley, Minister for Local Government