General Fund Revenue Budget Variances by Service Area 2022-23

Appendix A1 provides the detail of budget variances greater than £100,000 for 2022-23

Appendix A2 provides a summary outturn statement for 2022-23

The following paragraphs summarise the outturn position for each directorate.

Adult Social Care - net underspend £2.5 million (2%)

1. Council-wide restrictions on expenditure including extended periods for vacancies and release of earmarked reserves to mitigate the financial gap in the Medium-Term Financial Plan for the period 2023-2027 contributed to the Adult Social Care underspend overall.
2. Care cost pressures associated with the rising cost of care home fees and domiciliary care packages particularly supporting patients leaving hospital have continued to grow, raising the annual overspend to £12m for people with long term conditions. More people were placed in residential care because of supply shortage in the home care market, where there was also above budget demand for care packages.
3. Difficulties in recruitment in the home care market has reduced the ability to source appropriate care for people with learning disabilities and mental health. There were also challenges in sourcing suitable housing and delays in mental health hospital discharges which resulted in an underspend of £5.1m.
4. Whilst this underspend mitigated in part the overspend in the long-term conditions budget in 2022/23, it occurred due to supply shortage and cannot be assumed to be on-going in future years.
5. Further mitigating factors to offset the cost of care pressure include additional income from the NHS for continuing health care (CHC) due to catching up with the CHC assessments that were suspended during the pandemic and additional contributions for Section 117 mental health after care of £3.5m.
6. The Council made full use of the hospital discharge funding to mitigate pressures arising from the hospital flow approach which is to discharge those who no longer need to occupy beds as timely and safely as possible, with £1.8m used to support care cost pressures. A further £2.9m of this funding was used for specific contracts, as described in the commissioning and procurement section below.
7. Other mitigating factors include additional client contributions of £1.9m including some backlog charges and realignment after the pandemic, ordinary residence related back pay from another council of £0.4m and other operational savings including vacancies of £1.1m and other running costs.
8. A one-off transfer to earmarked reserve of £0.1 is planned for additional resources to tackle recovery of historic debt during 2023/24.

Children's Services - net overspend £5.7 million (7%)

9. Council-wide restrictions on expenditure has led to an improved financial position for Children's services compared with that previously forecast.
10. The final position has reduced the overspend in service areas compared with the forecast at quarter three. This has enabled the transformation programme costs of £1.7m to be absorbed avoiding the need to draw down on the provisionally agreed capitalisation direction.
11. Pressures previously reported continue for special educational needs and disabilities (SEND) transport of £1.6m due to fee increases, with a saving of £0.4m in mainstream transport.

12. Staffing costs now include the activity of staff and consultants relating to the service transformation programme as noted above. This includes the full additional cost for the purchased social worker team rather than the previous assumption that the majority would be covered by the capitalisation direction.
13. Net cost of care relating to unaccompanied asylum seeking children (UASC) has reduced slightly since quarter 3 with the pressure at £0.5m, this is still subject to confirmed home office grant funding as we are awaiting final decisions on submitted age assessments relating to the period January to March 2023. Other placement costs have reduced slightly due to some delays in commissioning appropriate placements. Other previously reported and unchanged pressures include £0.2m of lost savings from an unsuccessful bid to government for a new children's home.
14. There are various other service savings including less than expected spend on workforce training as opportunities to commission and attend outside training events were limited due to staff capacity.
15. There was an unexpected saving of £0.3m in the annual March invoice from Dorset Council relating to the long standing existing early retirement commitments that are now starting to unwind. These commitments date back to the local government reorganisations of 1997 (when Bournemouth and Poole took on their share of previous Dorset functions for unitary status) with further commitments added in 2019 from the addition of the Christchurch area. This new saving will be on-going in future years.
16. The previously planned allocation of unspent public health grant to support children's services related expenditure has been reduced in quarter four by £0.3m to £0.6m. This is to allow a reserve to be created to maintain a level of investment in the drugs and alcohol services to maximise the benefit from national programmes.

Commissioning and Procurement – net underspend £0.7 million (7%)

17. During the year commissioning and procurement teams have come together under a single management structure to increase consistency in working practices and provide the focus needed to drive out thirty party spend savings across the organisation.

Adult's Commissioning

18. The commissioning budget for adults achieved a £0.6m saving
19. The recovery of client contributions from the block booked care home placements improved during the third quarter achieving almost budget level. Additional income was received for continuing health care eligibility. There was some slippage in the delayed transfer of care beds, further slippage in employee vacancies and other miscellaneous savings.
20. The council used the additional income received from the new social care discharge fund pooled with the NHS, to incur additional expenditure of £2.9m. This includes specific contracts to enable more people to be discharged to an appropriate setting with more timely social care support. Priority was given to those approaches that were most effective in freeing up hospital beds and boosting the general adult social care workforce capacity through recruitment and retention.

Children's Commissioning and Strategic Procurement

21. The children commissioning and strategic procurement departments have achieved £0.1m saving collectively from staff vacancies and some additional income.

Operations – net underspend £11.3 million (19%)

22. Overall, the operations budget outturn is £4.8m higher than forecasted in quarter three. The main annual pressures relate to the rising cost of living, such as the significant growth in utilities costs of £3.1m, although these started to reduce over quarter four. Income from carparking benefitted from good weather over the first and second quarter and seasonal

income continued this trend despite poorer weather in the winter months. Income recovery from covid has been better than expected and exceeded expectations from last quarter in beach hut and overnight lodge rental, seafront-based concession contracts, and leisure centres. Other positive income movements are in the green waste service and significant in-year savings from vacancies from on-going spending controls.

Communities

23. The underspend in the communities directorate has been achieved as forecast at quarter three through a combination of release of an un-ringfenced reserve to the revenue account and a reduction in non-essential/non-statutory spend in line with the financial controls implemented across the council.

Environment

24. Over quarter four, savings have increased from on-going recruitment controls and labour market shortages, particularly evident across front line delivery roles. This has contributed to savings in grounds maintenance (£0.4m) and neighbourhood services (£0.3m).

25. The inability to recruit has also impacted delivery of the cleaner, greener, safer (CGS) single year initiative with savings of (£0.4m).

26. Other significant expenditure reductions from the quarter three forecast include from energy costs (£0.4m) as prices peaked earlier than forecast and from reduced festivals (0.3m).

27. Partially offsetting the above positive budget variances was a further loss of income from the crematorium service of £0.4m (bringing this to £1.2m for the year). Cremation income has come under considerable pressure since the introduction of new facilities at Harbour View in 2014 and recently at New Milton from April 2022, with each new facility securing market share previously held by the council's cremation service through extensive marketing and offering lower prices. There is also a trend for our customers to select lower price options.

28. As a result of the positive outturn overall for the service, a previously forecast saving from delay in recruiting resource to progress the climate change initiative of £0.3m has instead been transferred to an earmarked reserve to preserve the budget for activity to be undertaken in 2023/24.

29. Other annual variances previously reported have not changed significantly from the forecast at quarter three.

30. These include waste disposal recycling savings of £2.3m. The costs of recycled waste are heavily influenced by world events such as the current war in Ukraine and the recent pandemic, with UK based waste treatment companies influenced by global commodity markets. The council continues to benefit from a secure long-term contact with a major provider. More recent trends suggest the markets are returning to pre pandemic conditions and this is likely to influence the recycling price for the forthcoming year.

31. Commercial waste collection post pandemic is lower due to a smaller customer base, but this has been more than offset by the increase in business carried out via the waste transfer station sites. The council continues to offer a competitive option for SMEs with income ahead of budget by £0.6m as expected cancellations did not materialise.

32. Green waste subscriptions in the year exceeded the number expected by 7,700 bins with additional income of £0.4m achieved.

33. At the start of the year the policy was changed to capitalise a greater proportion of costs for highway maintenance & bin purchasing, with the revenue budget benefitting by £1.0m.

Transport and Engineering

34. Slightly ahead of the previous forecast, carparking income is above budget for the year by £1.2m as covid recovery was better than expected. As reported last time, in-year tariff increases plus the removal of concessionary festive parking realised a further £0.5m. The related pressures on the cost of providing the service were £0.6m as previously identified.
35. Concessionary fares savings of £0.95m were delivered, an increase of £0.15m compared with the quarter three forecast. Payments to bus operators are now reflective of actual journeys undertaken rather than based on pre-covid levels of funding that previously the Department for Transport (DfT) had expected to be continued for service sustainability. A large part of this saving is expected to be on-going and has been reflected in the budget for 2023/24.
36. New savings identified over quarter four include for staffing (£0.3m) and routine maintenance (£0.4m) as expenditure controls and recruitment difficulties continued into the fourth quarter.
37. Street lighting electricity pressures continue with cost mitigations of £0.2m realised, lower than previously forecast.

Destination and Culture

38. Expenditure controls have produced savings across the directorate, including reduced support for festivals (£0.3) in quarter four.
39. Income recovery from covid has been better than expected with beach hut income exceeding expectations (£0.5m), contract turnover rents higher (£0.5m) and with bad debts reduced for concessionaires (£0.2m).
40. Leisure centres have also performed well with income generated from swimming pools the main driver. BH Live activity exceeded expectations with service fee income ahead of budget (£0.2m). A one-year fixed price contract with SLM shielded the council from utility price rises in 2022/23. Both leisure contracts are due for renegotiation during 2023/24 and it is anticipated this will result in additional cost pressures.

Planning

41. The forecast at quarter three for additional agency spend of £0.4m has materialised at outturn. The service has been restructured for 2023/24 to include economic development activity with a plan to transition away from reliance on agency staff.

Housing

42. The Housing service has faced many challenges this financial year in managing the homelessness prevention grant (HPG) due to the level of homelessness, coupled with increased expenditure on utilities, rising contract prices and recruitment difficulties. Overall, at outturn the service has a small budget surplus representing only a small change compared with the forecast at quarter three. Although managing vacant posts has been difficult, it has helped mitigate the increasing costs.
43. The in-year (HPG) allocation of £2.0m was fully utilised as planned. HPG is expected to be fully spent by the end of 2024/25 by continuing activities to reduce homelessness.
44. The costs of administering Ukraine, Syrian and Afghan resettlement schemes were fully funded from in-year government grant allocations, and the balances will be carried forward in earmarked reserves. The HPG and other housing grants, are ring-fenced with a total of £8.4m in earmarked reserves, including in-year allocations and those brought forward from previous years.
45. The income shortfall from the acquisition strategy has reduced significantly from the start of the year though expenditure was higher than expected and resulted in a £0.2m pressure overall.

46. Telecare income for equipment rental charges and new installations anticipated a shortfall of £0.3m but income declined further than expected to £0.4m. However, several staff vacancies were left unfilled to mitigate against this pressure, saving £0.3m.
47. Housing benefit subsidy clawback, which is the homelessness top up cost borne by the service, was higher than expected at £0.8m. However, rather than drawing down more HPG impacting on the medium term financial plan (MTFP), this was able to be mitigated from the increased income received in the service overall.
48. The construction works team (CWT) achieved its budgeted surplus. Major projects being delivered include housing schemes on behalf of the HRA at Wilkinson Drive and Northbourne, skills & learning service relocation to the Dolphin Centre, Poole library, Durley Innovation Hub, and the phase 2 refurbishment of the BCP civic centre.
49. Garages and photovoltaic net surplus budget of £2.2m was achieved as expected. Cost pressures in relation to the cost of scaffolding for measures to defer pigeons from settling were managed from within existing budget allocations.
50. The £0.4m pressure on utilities from increasing gas and electricity prices, and contract inflationary causes, was realised as expected.
51. Housing services has identified mitigations for cost pressures, and these were delivered as expected, including the additional dividend from BBML, utilisation of HPG, S106 income from developers and additional unbudgeted income. There were also several unfilled vacancies which reflects the difficultly in recruitment and higher than usual staff turnover.
52. Income from the in-house trade services team achieved a higher than expected surplus of £0.4m from staffing recharges mainly to the HRA for increased activity.

Resources - net underspend £3.5m (6%)

53. Resources has seen cost pressures from utilities and other inflationary increases, plus reduced income likely being the result of the rising cost of living for households. However, these have been mitigated by staff vacancies and savings in the revenues and benefits service.

Customer, Business Support and Facilities Management

54. Customer services employee costs underspent by £1.2m against the additional £1.5m one-off agreed allocation for service improvement due to staff recruitment and retention difficulties.
55. The restructured business support service resulted in an overspend of £0.3m after the budget was reduced to contribute to the targeted transformation savings. This will require close monitoring in 2023/24 to ensure positions are replaced in line with the available base budget.
56. Facilities management: There is a utilities pressure of £0.4m, slightly below that reported at quarter three. Additional repairs and maintenance expenditure of £0.2m had previously been planned to be met from an earmarked reserve but this is instead needed for a new generator in 2023/24. The budgets for Poole and Christchurch civic centres were removed as transformation savings but there is a pressure from delayed closure of £0.4m, although energy costs are lower than anticipated at quarter three.
57. There are other savings across the service totalling £0.7m. This is from a combination of other staff vacancies which have been difficult to fill, small amounts of unbudgeted income and savings on office costs from reduced staff numbers across various sites, including cleaning costs, less postage/printing, and lower impact on overall maintenance.

Other Services

58. Finance: Savings on employee costs from health & safety have been realised of £0.2m. The £0.2m pressure on bank charges was slightly higher than expected due to the continuing management of three bank accounts. The delayed audits resulted in additional work and increased fees with an overspend of £0.2m identified in the final quarter. Insurance premiums were negotiated below budget, and additional income from recharges to the HRA and schools were finalised ahead of budget at year end.
59. ICT: The service retains a historic base budget revenue allocation of £0.2m for ICT replacement with £0.1m funded instead from capital and transformation funds. The £0.2m saving on unfilled vacancies remained due to difficulties in recruitment and opting to leave some posts vacant to mitigate overall pressures. Some staff also transferred through smarter structures/restructuring. There have been additional savings within this service (each under £0.1m) from the gradual decommissioning of software used by the legacy councils, and use of transformation funding. A £0.2m saving was realised from telephony due to a much higher use of alternative methods of communication, and printing was much lower than expected. Both were expected to increase in anticipation of higher staff numbers returning to offices, however this did not materialise as expected with many staff preferring the new ways of working.
60. Law & governance: Additional income from registrars was projected to offset the related additional salary costs approved in June, however the additional income has not materialised, resulting in an employee cost pressure of £0.2m (increasing from £0.1m) and an income pressure of just under £0.1m. Legal services have seen staff vacancies throughout the year which has resulted in the employment of additional temporary staff, however they have benefited from a £0.1m saving on the external legal expert advice budget. This is used to fund the cost of court cases for barristers if there is no capacity within existing staff and has the potential to generate high expenditure and easily exceed budget, so a prudent approach is taken when forecasting this budget until year end. Legal also received income from recharges to capital which was not budgeted.
61. Local Land Charges income has seen a significant reduction after October 2022 which is likely to be a direct result of the considerable increase in mortgage rates. The fall was slightly delayed from the September mini budget due to the mortgage offers already issued. It was hoped the income would recover towards the end of the year but unfortunately this was not the case and resulted in an overspend of £0.1m which is likely to be an ongoing issue into 2023/24, though mitigated marginally from fee increases.
62. Human resources: Employee costs underspent by £0.1m as forecast due to vacancies and staff engaged in the transformation work.
63. 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 an unfunded salary related pressure of £0.1m for 2022/23. This could increase to £0.6m in 2023/24 as transformation activity reduces and alternative funding sources from new projects are needed for staff employed on permanent contracts. Deployment of the major projects team in the new year is currently under review.
64. Regeneration: The council's client regeneration team underspent by £0.46m, an increase on quarter three as vacancies continued, reserves were applied, and the contingency remained unused.

Transformation

65. Transformation savings of £8.7m were built into the budget for 2022/23. Consistent with quarter three £1.5m of savings had not yet been identified for delivery by the year end.

Microsoft licence fees remain £1m underspent as reported last quarter due to the timing of transformation activity.

66. Further work continues in respect of third party spend savings included in future year budgets, given the difficulty in driving out savings with the current challenging economic outlook.

67. The base budget staff costs able to be transferred to the transformation programme has been reduced by £0.5m to give a £4m shortfall against a budget of £6.7m. This follows a review over quarter four of the available evidence to substantiate the charge for specific workstream activity, taking account of reduced staff costs from on-going vacancies across many service areas.

Central Items - net surplus £2.7m

68. At quarter three a net £10.5m surplus was forecast on central budgets comprising additional costs from the agreed pay award and staff redundancies of £5m offset by additional interest and income, use of grants and earmarked reserves, release of the contingency and a reduction in provisions (£15.5m).

69. At outturn the central surplus has been reduced by £8.2m to £2.3m as the positive outturn across services has enabled provisions to be increased to take account of current risk profiles.

70. Provision increases include £4m set aside as loan mitigation for FuturePlaces Ltd, a council wholly owned subsidiary, as cost recovery for successful projects is delayed and £2m for insurance following consideration of recent trends.

71. New rental agreements and increased provisions for property investments account for a further £1m of additional costs.

72. There was also increased spending of the contain outbreak management fund (COMF) of £0.4m.