CABINET

Report subject	**Financial Outturn 2023/24**
Meeting date	17 July 2024
Status	Public Report
Executive summary	The report presents the revenue and capital budget outturn, reserves position, dedicated schools grant outturn, housing revenue account, and results of council company and partner organisations for the financial year 2023/24. In general terms the council's attempt to improve the financial health and sustainability of the authority have been successful with the 2023/24 drawdown on specific reserves reduced from the original budgeted amount £30m to £23m at financial outturn. At quarter three the estimated drawdown was forecast to be £27m although this was expected to improve due to the ongoing application of a freeze on expenditure and the Cabinet decision to release a previous accrual relating to the Dolphin Shopping Centre. Services have delivered 94% of the budgeted savings of £34m, achieved through transformation, third party spend reduction, staff savings and raising additional income.
Recommendations	**It is RECOMMENDED that Cabinet:** **1. Note the outturn position for 2023/24.** **2. Agree the acceptance of grants up to £1m as set out in Appendix C.**
Reason for recommendations	To comply with accounting codes of practice and best practice which requires councils to regularly monitor the annual budget position and take any action to support the sustainability of the council's financial position. To comply with the council's financial regulations regarding capital virements and acceptance of grants.
Portfolio Holder(s):	Cllr Mike Cox, Finance
Corporate Director	Graham Farrant, Chief Executive

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Wards	Council-wide
Classification	For Decision

Background

1. In February 2023 Council agreed the 2023/24 annual general fund net revenue budget of £309m, a capital programme of £180m and the specific use of earmarked reserves to balance the budget and support services of £30m. This revenue budget also assumed the delivery of £34m of savings which included £9m in un-itemised transformation-based savings. Budgets were also agreed for the capital programme and housing revenue account (HRA).
2. Non-delivery in full of the un-itemised transformation savings had been anticipated since the first quarter with service budgets and transformation savings reduced to reflect a more achievable level.
3. An expenditure control mechanism has been in place across the council since September 2023 to minimise spend on non-essential activity.
4. The quarter three budget monitoring report indicated that the specific drawdown on reserves was reduced from the £30m budgeted amount to £27.2m based on a £2.8m variation with pressures in the Children's and Operations directorates offset by surpluses in other areas.

Revenue Outturn 2023/24

5. The final revenue outturn for 2023/24 is a £7.0m reduction in the use of specific reserves compared with the projected £2.8m reduction predicted at quarter three. A summary of the outturn is shown below in Table 1:

Table 1 : Summary General Fund Outturn 2023/24

Q3 Variances £000's	Directorate	Working budget £000's	Outturn £000's	Under/ Overspend £000's
(5,555)	Wellbeing	133,669	122,270	(11,399)
3,139	Children's	87,973	91,433	3,460
*5,318	Operations	63,997	63,268	(729)
(689)	Resources	38,730	38,956	226
*(5,013)	Corporate Items	(14,447)	(12,992)	1,672
(2,800)	**Total projected outturn**	**309,921**	**302,935**	**(6,986)**

*Comparative adjusted for variance previously included within corporate items

6. There has been a significant improvement in the variation for Wellbeing services as previously forecast demand has not materialised and Operations services have managed their previous overspend to deliver a small positive variance overall. These improvements have been partially offset by central provisions and adjustments within Resources and Corporate items.
7. The Wellbeing directorate, which includes adult social care, public health, commissioning, housing and community services, had a positive variance of £11.4m, mainly due to lower than expected demand and costs for care packages for adults with learning disabilities and mental health issues. The increase compared with quarter three is largely due to anticipated new demand for this service not materialising in the final quarter. The budget in 2024/25 has been rebased to reflect that an estimated £5.1m of the unexpected positive variance is considered an on-going saving, with some reallocated to support other services and the balance added to the new year contingency.
8. The Children's Services directorate, which covers safeguarding, early help, corporate parenting, education and skills, and partnerships, had an overspend of £3.4m, largely due to the high cost and number of placements for children in care, and the use of agency staff in social work teams. Children's services have an overspend slightly higher than previously forecast. The number of children looked after has continued ahead of expectations with an increase in care costs and staff needed to support them. Mitigation activities are on-going including the recruitment of permanent staff and the careful monitoring of agency use. The initial budget set for 2024/25 provided for some growing demand for care, with early indications being this will be exceeded. As a result, the new year budget has been increased by £2.5m from the resources released from Wellbeing noted above.
9. The Operations directorate, which encompasses commercial, environment, planning, transport, infrastructure, and investment and development services, had a positive variance overall of £0.7m in 2023/24. There are budget surpluses in seafront, waste, and sustainable travel services, partially offset by pressures in parking, planning, and facilities management. Most service areas improved budget performance in the final quarter by holding vacancies, delaying expenditure or from generating more income than previously anticipated. Despite the improved performance some areas remain of concern. This includes for the planning service where a restructure is underway to reduce reliance on more expensive agency staff.
10. The Executive and Resources directorate, which provides professional support services, tax collection, and housing benefits administration, had an overspend of £0.2m. This is mainly due to legal services where locums are being used due to recruitment difficulties plus income shortfalls from registrars and land charges. There is some offset from savings within marketing, policy and communications where vacancies have been held pending a restructure.
11. The corporate budgets, which include contingencies, treasury management, investment income, housing benefits and central provisions had an overspend of £1.7m due largely to the pay award being greater than budgeted and the movement in provisions.
12. Appendix A1 provides the detail and reasons for budget variances in each service area.

13. Appendix A2 provides a summary revenue outturn statement.

Savings Monitoring 2023/24

14. Delivery of budgeted savings is fundamental to a sustainable MTFP. The table below shows achievement of 94% of the £34m savings budgeted. The impact of savings not delivered during the year is included in the budget variances in Appendix A1.

Table 2: Summary of savings delivery 2023/24.

Directorate	Council Approved Savings £000s	Delivered £000s	Not delivered £000s
Wellbeing Directorate	(9,684)	(9,414)	270
Children's Services Directorate	(1,183)	(1,183)	0
Operations Directorate	(10,903)	(9,493)	1,410
Resources Directorate	(508)	(508)	0
Corporate Items	(3,021)	(3,021)	0
Transformation – not itemised	(9,044)	(8,662)	382
Total Savings	**(34,343)**	**(32,281)**	**2,062**

Note that the table above includes housing and community within Operations rather than reflecting the move to Wellbeing for consistency.

15. Wellbeing savings not delivered were from the delay in technology investment.

16. Operations savings are many and varied with specific savings totalling £1.4m not delivered. This includes for waste disposal costs which increased by more than budgeted and new burdens which were unfunded. In the planning service a staff restructure was not progressed, and additional income not achieved. Mitigations for undelivered savings were found across the services.

17. The balance of un-itemised transformation savings, after in-year budget adjustment was £0.4m.

18. Appendix A3 provides a schedule of final savings delivery for 2023/24 for each service area.

Transformation

19. The total one-off costs associated with the corporate transformation investment programme in 2023/24 was £10.5m of revenue and £0.9m of capital.

20. Revenue expenditure includes the strategic investment partner (SIP) costs of £4.8m to continue work to bring services on to the Microsoft Dynamics Customer Resource Management system. This new system will improve customer interaction with the council as well as drive out savings and efficiencies. SIP activity also included completing support for the Dynamics Finance and HR Enterprise Resource Planning (ERP) system implementations from early April 2023. Other expenditure includes for internal and agency staff to create additional capacity for implementation and costs for ICT.

21. The revenue costs also include £3.3m for redundancies to permanently reduce the staff base of the council.

22. The revenue costs of the transformation programme are funded by capital receipts using the government's permitted flexible use of capital receipts (FUCR)

policy. This includes for the separate transformation programmes for adult social care and children's services which incurred costs of £1.1m in 2023/24 and will be reported on separately by the services in due course.

23. Capital expenditure for the transformation programme is funded by prudential borrowing.

24. Additional annual transformation savings of £7.6m were delivered in the 2023/24 financial year. These comprise staff reductions of £5.8m and third party spend of £1.8m.

25. Appendix A4 provides details of the corporate transformation programme and funding through the FUCR.

Reserves Monitoring for 31 March 2024

26. Earmarked reserves are those set aside for specific purposes, and these were reconsidered in quarter one to release funding to support the children's services business case to improve the service.

27. Table 3 below summarises the projected movement in reserves during the current financial year.

Table 3: Summary of projected movements in reserves

	Balance 1 April 2023	Balance 31 March 2024	Movement
	£m	£m	£m
Un-earmarked reserves	17.9	26.1	8.2
Earmarked reserves	68.5	39.0	(29.5)
Total reserves	**86.4**	**65.1**	**(21.3)**

These reserves do not include revenue reserves earmarked for capital, school balances or the negative DSG reserve.

The main movements in earmarked reserves include:

a. Financial resilience reserves drawdown to support the budget.

b. Government grants drawdown to support specific projects and expenditure.

c. Utilisation of corporate priorities, ICT development and transition and transformation reserve contributions.

28. Appendix B provides a summary of the actual earmarked reserves position as of 31 March 2024.

Dedicated Schools Grant (DSG)

29. The 2023/24 budgeted high needs funding shortfall due to the growing demand from pupils with high needs is £27.1m. The accumulated deficit was projected to increase to £62.9m.

30. At outturn, the overspend on high needs is £1.3m (increasing the funding shortfall to £28.4m) with the increase from budget largely due to bespoke packages and

therapies. There is some offset from other budgets to leave a net overspend of £0.6m overall. The accumulated deficit at March 2024 is £63.5m.

Table 4: Summary outturn position for dedicated schools grant

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2023	**35.8**
Budgeted high needs funding shortfall 2023/24	27.1
Overspend in 2023/24	0.6
Accumulated deficit 31 March 2024	**63.5**

31. The DfE safety valve conversations regarding the accumulated deficit progressed with government over the final quarter but no solutions have yet been forthcoming.

Capital Investment Programme (CIP)

32. 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.
33. The budget has been updated during the year to include new schemes, inclusion of slippage from 2022/23 and the reprofiling of expenditure into future years. Of the final £142m budget, 57% was spent with the balance carried forward into 2024/25.
34. Increases in raw materials prices, construction and labour costs and the cost of borrowing compounded by delay in supply chains continued to reduce the ability to deliver the planned capital programme.
35. Appendix C summarises capital spend by directorate and how this was funded in 2023/24.

Housing Revenue Account (HRA)

36. 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.
37. The 2023/24 budget comprises total income of £51.5m for the year and a net surplus of £6.7m.
38. Total rental income of £47.6m was £0.5m adverse to budget. Rental income benefitted from lower levels of voids and right-to-buy sales, and the delivery of additional HRA properties via the development programme but this was offset by a correction for over-recognition of income in previous years in the final quarter.
39. Service charge income of £3.0m was £0.4m ahead of budget due to additional charges for communal heating and electricity, reflecting higher underlying costs.
40. Repairs & Maintenance costs of £12.5m were £0.9m over budget due to additional spending on planned repairs and preparation of voids for reletting.

However, this was an improvement on the £1.7m variance forecast at quarter three.

41. Supervision & management costs of £14.1m were £1.1m less than budget due to higher-than-expected staff vacancies and the contingency budget unused as reported at quarter three.

42. Work to align the depreciation charge methodology between the two neighbourhoods has led to a charge of £14.8m, which is £3.0m adverse to budget. This charge is recycled each year through the major repairs reserve to provide funding for the HRA's planned maintenance capital programme and does not impact on the overall financial position of the HRA.

43. There is a favourable variance of £1.0m for interest earned due to higher than budgeted interest rates.

44. An exceptional gain of £1.9m was reported in quarter three because of the return to the HRA of the retained surplus that Poole Housing Partnership Ltd built up during the period when it functioned as the arm's length management organisation (ALMO) for the Poole neighbourhood properties.

45. The net surplus for the year is £6.4m which is £0.25m below budget, being the net impact of all income and expenditure variances.

46. The capital programme budget of £46.5m was only 52% spent by the year end at £22.1m. The quarter three projection was slightly higher at 55% of the annual programme. The annual shortfall is due to the rescheduling of new build projects and a low volume of acquisitions, the latter due to ongoing high borrowing costs making purchases financially unviable. The £0.5m contingency budget was not spent, and work on the £1m programme for net-zero carbon initiatives is still at the planning stage.

47. Appendix D provides a summary of HRA budget monitoring for both the revenue and capital account at outturn.

Companies and partner organisations

48. 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 arrangements for reporting their financial and operating performance.

49. Appendix E contains a summary of the outturns for 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.

Scenarios

50. The outturn includes some estimates and assumptions, with anticipated losses provided for where known and able to be estimated.

Summary of financial implications

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

Summary of legal implications

52. 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

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

Summary of sustainability impact

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

Summary of public health implications

55. 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

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

Summary of risk assessment

57. The outturn is prepared based on the best estimates available to close the financial statements. Any variations to these will impact in the 2024/25 financial year.

Background papers

58. The link to the budget papers for 2023/24 is below:

BCP Council – Democracy (ced.local) item 10

59. The link to the 2023/24 quarter three budget monitoring report is below:

Welcome to BCP Council | BCP (ced.local) item 96

Appendices

Appendix A	A1 Revenue Budget Variances by Service Area
	A2 Revenue Outturn Summary 2023/24
	A3 Revenue Savings Monitoring 2023/24
	A4 Transformation Programme
Appendix B	Earmarked Reserves for 31 March 2024
Appendix C	Capital Programme Outturn 2023/24
Appendix D	HRA Outturn 2023/24
Appendix E	Companies Outturns 2023/24