**Appendix D4**

# BCP Financial Strategy 2021/22

1. A financial strategy is integral to the development of the overall organisational health of the council. Its aim is to detail how the council plans to finance its operations and meet its strategic priorities. The intent of the strategy is to set out the themes and categories the council will look to further develop as a means of delivering a balanced budget for 2021/22 and any underlying actions that need to be taken. The document will also support the approval of the medium-term financial plan (MTFP) and a positive value for money judgement for the new authority.
2. The strategy will help BCP continue to build a culture of strong and effective financial management, a culture which enabled the council to deliver a financial outturn which was within the parameters of its original budget for 2019/20. No mean feat for the first year of operating a council created following the most complex local government reorganisation for 45 years and with only eight months' notice. No mean feat for a council created to help the community manage the legacy impact of austerity which saw a reduction in government funding which has been estimated at approximately £103 million per annum.
3. The council has and will clearly need to continue to harness the positive focus, goodwill and personal contribution from officers and councillors which enabled the predecessor councils to deliver balanced budgets and positive financial outturn positions.
4. The overriding principle will be to deliver a responsible, sustainable and balanced budget for 2021/22 which is one where spending levels are matched against available resources and one which is not overly reliant on the use of reserves to cover any gap between resources available and ongoing expenditure.

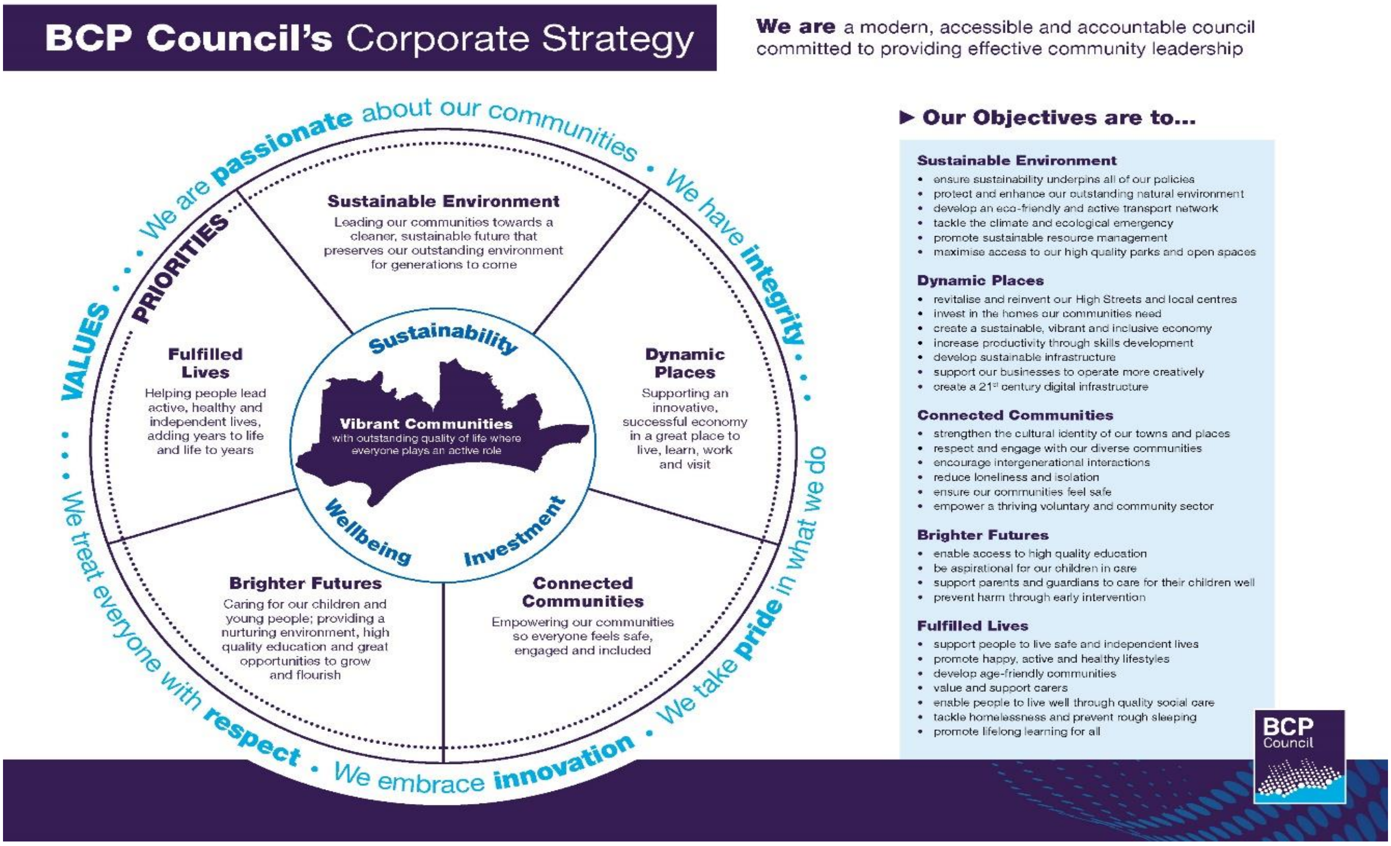
## Financial Context

5. In considering the 2021/22 financial strategy for BCP Council it will be important that it is considered within the context of a unitary authority which is currently only in its second year of operation with turnover of around £0.7 billion per annum and an annual net budget which for 2020/21 was £283 million per annum. It is also critical that consideration is given to the ambition and purpose of the council as expressed through the approved corporate strategy as well as the impact on the organisation's financial and non-financial resources of the Covid-19 public health emergency.
6. BCP Council's Corporate Strategy was adopted by council on 5 November 2019. The vision is to create vibrant communities with outstanding quality of life where everyone plays an active role. The high-level strategy sets out five council priorities and a commitment to become a modern, accessible and accountable council committed to providing effective community leadership. The priorities are:
   - **Sustainable Environment** - leading our communities towards a cleaner, sustainable future that preserves our outstanding environment for generations to come
   - **Dynamic Places** - supporting an innovative, successful economy in a great place to live, learn, work and visit

- **Connected Communities** - empowering our communities so everyone feels safe, engaged and included
- **Brighter Futures** - caring for our children and young people; providing a nurturing environment, high quality educations and great opportunities to grow and flourish
- **Fulfilled Lives** - helping people lead active, healthy and independent lives, adding years to life and life to years.

7. The strategy is underpinned by an agreed set of core values and delivery plans which set out how the council will achieve the priorities.

**Figure 1:** BCP Corporate Strategy




### Impact of the Covid-19 Public Health Emergency beyond 2020/21

8. A financial strategy can also not be established without considering the medium to long term impact of the country's biggest public health emergency for a generation. Since March 2020 this has required urgent and decisive action to be taken by the council to support its community while also supporting the integrity of the council's financial position and sustainability.

9. The public health emergency resulted in extra pressures on services in support of the most vulnerable; the elderly, disabled and homeless. This included getting rough sleepers off the street, supporting new shielding programmes for clinically extremely vulnerable people, assisting the heroic public sector and social care workforce, and making over £83 million in grants to local businesses.

10. At the same time the council's income base collapsed with leisure centres shut, seafront services closed, and parking fees not being generated, as well as lower council tax and business rates yields predicted. This loss of income represented a real reduction in the resources available to fund local services.

11. In considering the council's overall financial position it must be borne in mind that BCP as well as being one of the twelve largest unitary councils is also a coastal community particularly exposed to significant income reductions. In a normal year the tourism sector makes a considerable contribution to the budget, including for vital council services such as adults and children's social care. This is emphasised by the benchmarking that shows the council is in the top four of unitary councils as being supported by sales, fees, charges, trading accounts, interest & investment income. Growing our income base was a strategy to sustain services directly linked to reduced government funding and growing pressures.
12. That said, the position is now compounded by the possibility of further periods of disruption related to the outbreak in this and future financial years as well as the less well understood future impact on the demand pressures faced by local authorities such as;
    - adult social care-specifically relating to the legacy impact of the 10 per cent uplift to the cost of care during the period to the end of July 2020/21 and whether further funding will be forthcoming from central government for infection control in the care sector in future years.
    - children's social care, specifically the issue of latent safeguarding demands.
    - school reopening's with specific issues such as those relating to home to school transport.
    - collection fund issues.
13. This will be exacerbated by what the Treasury expect to be the worst recession on record and the need for the government to reassure the financial markets that there is a plan to control spending in the medium term.
14. As highlighted the legacy impact of Covid-19 is that it will directly impact on the services that our community require us to provide which in turn will be influenced by the consequential recessionary impact of a growth in unemployment. The council will need to challenge itself to determine if its corporate strategy provides the priorities and objectives required as our community emerges from the public health emergency and begins the recovery and reset phase. Even at this potentially early stage the 14% growth in the cost of local council tax support working age claimants since March 2020 and the number of job losses in the local economy point to the need to support our working age benefits claimants and to help our businesses recover.

**MTFP Refresh 2021/22 to 2023/24**

15. In the February 2020 budget report to Council the MTFP included a funding deficit of £17.3 million for 2021/22 and £6.9 million for 2022/23.
16. The MTFP set out in the Covid-19 – 2020/21 Budget Monitoring Report to 24 June 2020 Cabinet identified that after making provision for assumed cost and demand increases, after certain provision for the impact of the public health emergency on ongoing core income, after allowing for the borrowing costs on key regeneration projects, and after factoring in certain savings that have already been identified along with the strategy to harmonise council tax in 2021/22, the council will have a £32m funding gap in 2021/22.
17. The MTFP has subsequently been updated to a three-year time horizon covering 2021/22 through to 2023/24 as part of a fundamental base budget review process undertaken over the summer. It should be noted that this table is presents on an absolute, rather than incremental, basis.

**Figure 2**: MTFP update at October 2020 (**Scenario A**)

| | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|
| **Position prior to legacy Covid position** | **24.4** | **45.2** | **62.7** |
| Service Investments | 4.0 | 4.0 | 4.1 |
| Transformation Revenue Costs | 3.5 | 4.0 | 4.5 |
| Service Savings – Assumed / programmed | (8.8) | (10.3) | (10.4) |
| Council Tax – Annual uplift (Harmonisation / 2.99%) & Tax-base | (4.5) | (12.2) | (20.3) |
| Business Rates – Annual inflationary uplift | (1.1) | (2.2) | (3.3) |
| Collection Fund – One-off surplus 2020/21 | 1.4 | | |
| **Position prior to legacy Covid position** | **18.9** | **28.5** | **37.3** |
| Covid19 – Sales, Fees and Charges | 17.1 | 8.5 | 4.2 |
| Covid19 – Core Income | 12.2 | 6.1 | 3.0 |
| Covid19 - Costs | 1.0 | 0.6 | 0.6 |
| **Current Base MTFP Position** | **49.1** | **43.6** | **45.1** |
| Removal of service investments | (4.0) | (4.0) | (4.0) |
| Revenue contribution to capital | (2.0) | (2.0) | (2.0) |
| Residual capital funding | (0.1) | | |
| Town Centre Development Fund | (2.5) | | |
| ICT Investment Plan Resources One-Off & funding obligations | (1.3) | 0.3 | 0.3 |
| Transformation Fund Resources One-Off & funding obligations | (10.8) | 8.1 | 3.0 |
| **Net Funding Gap – Before Transformation** | **28.4** | **46.0** | **42.4** |
| Transformation Saving Target 2021/22 | (15.0) | (24.1) | (33.2) |
| **Net Funding Gap** | **13.4** | **21.9** | **9.2** |

The current position represents 4.7% of its 2020/21 £283 million net budget.

18. This financial strategy will therefore need to be kept under constant review as the immediate and ongoing impact of Covid-19 emerges. The requirement to predict the future as part of the councils financial planning framework is always accompanied by significant risk but this year the uncertainty and potential variability will be particularly high. Of particular concern will be the impact on the main income streams to the council, notably;

- **Business rates yield** - businesses in retail, hospitality and leisure (RHL) sector were not required to pay business rates in 2020/21 and as they account for 52% of the total normal business rates yield the council will be watching their recovery very carefully and considering the impact on the amount it would ordinarily expect to raise in 2021/22. Any impact on this sector will be in addition to the £3.7 million reduction in yield currently being experienced in 2020/21. An element of this is expected to reoccur next year in the non RHL sectors as they struggle to recover from the impact of the pandemic. As per this year a £3.7 million impact of business rates yield is being assumed in 2021/22.

- **Council tax yield** – the income generated next year will be influenced not only by the council tax harmonisation strategy but also by the extent to which residential development schemes have been delayed or even moth balled. The number of homes over which council tax is chargeable, referred to as the tax base, is a key element of the council tax calculation. The fact that the tax base may not be as high as previously assumed or may even have reduced between years will be significant. A specific reason it may have reduced is due to the number of local council tax support (LCTSS) claimants with the cost of the scheme in respect of working age claimants having increased by 14% between March and August 2020. This impact on tax base will also have consequences for other preceptors such as the police, fire and local town and parish councils.

- **Sales, fees and charges** – based on the September monthly return to government and included in the projected outturn in the October monitoring, the council is predicting to have a £23.0 million shortfall in the income it generates via sales, fees and charges during 2020/21 with an estimated £12.1 million to be allocated by the government compensation scheme to provide a level of financial assistance. In respect of 2021/22 the indication is that the government have no intention of rerunning the scheme next year. Therefore, the MTFP will need to estimate the level of such income that may be generated in a hopefully post Covid-19 scenario which, in all likelihood, will not be to the levels budgeted for 2020/21 or experienced in 2019/20.

19. The level of national government interventions, mitigations and direct support arrangements relating to the pandemic will clearly impact on both the economic recovery and individuals. Ending of the ban on evictions in September and the cessation of the job retention scheme, often referred to as the furlough scheme, in October will be two policy areas which could impact on the demands placed on the council. The revised Job Support Scheme recently announced by the government to replace the furlough scheme should mitigate potential job losses in certain sectors of the economy.

20. What is clear is that the government need to continue to ensure sustainable funding to local areas to enable them to invest in long term infrastructure, economic growth, support for businesses and help with skills and employment.

21. Figure 4 overleaf shows in an absolute and on an incremental basis a summary of the budget changes.

**Figure 4:** BCP Council MTFP in absolute and incremental terms (**Scenario A**).

| | Adjusted Net Budget 2020/21 £m | MTFP 2021/22 £m | Net Budget 2021/22 £m | MTFP 2022/23 £m | Net Budget 2022/23 £m | MTFP 2023/24 £m | Net Budget 2023/24 £m |
|---|---|---|---|---|---|---|---|
| Adult Social Care *(Including Public Health)* | **109.7** | 3.4 | **113.1** | 7.3 | **120.4** | 8.8 | **129.2** |
| Children's Services | **63.1** | 5.2 | **68.4** | 3.0 | **71.4** | 3.2 | **74.6** |
| Environment & Community | **49.8** | 1.0 | **50.8** | 1.4 | **52.2** | 0.4 | **52.6** |
| Regeneration & Economy | **9.7** | 17.0 | **26.6** | (7.1) | **19.5** | (3.4) | **16.1** |
| Resources | **31.9** | 0.0 | **31.9** | 0.4 | **32.3** | 0.2 | **32.6** |
| Transformation Revenue Implications | **0.0** | 3.5 | **3.5** | 0.5 | **4.0** | 0.5 | **4.5** |
| Corporate Priorities | **1.4** | 1.1 | **2.5** | | **2.5** | | **2.5** |
| Net cost of services | 265.6 | 31.2 | 296.8 | 5.6 | 302.4 | 9.6 | 312.0 |
| Provision for repayment borrowing (MRP) | **9.8** | 0.1 | **9.9** | 0.1 | **10.1** | 0.1 | **10.1** |
| Pensions | **5.6** | (0.1) | **5.5** | (0.1) | **5.5** | 0.2 | **5.7** |
| Revenue contribution to capital | **0.8** | (0.5) | **0.4** | | **0.4** | 0.0 | **0.4** |
| Transformation Funding | **2.0** | (1.5) | **0.5** | | **0.5** | 2.0 | **2.5** |
| Interest on borrowing | **1.8** | 1.4 | **3.2** | (0.0) | **3.2** | (0.0) | **3.2** |
| Contingency | **1.2** | 3.4 | **4.6** | 3.4 | **7.9** | 3.3 | **11.2** |
| Parish, Town, Neighbourhood Councils & Charter Trustees | **0.8** | | **0.8** | | **0.8** | | **0.8** |
| Movement to and (from) reserves - inc unearmarked | **0.7** | (0.0) | **0.7** | | **0.7** | | **0.7** |
| High needs reserve contribution | **1.2** | (1.2) | **0.0** | | **0.0** | | **0.0** |
| Levies (Environment Agency / Fisheries) | **0.6** | | **0.6** | | **0.6** | | **0.6** |
| Apprentice Levy | **0.6** | | **0.6** | | **0.6** | | **0.6** |
| Revenue expenditure on surplus assets | **0.2** | | **0.2** | | **0.2** | | **0.2** |
| Investment property income | **(6.7)** | 1.2 | **(5.5)** | (0.4) | **(5.9)** | (0.4) | **(6.3)** |
| Income from HRA | **(0.9)** | | **(0.9)** | | **(0.9)** | | **(0.9)** |
| Interest on cash investments | **(0.2)** | 0.1 | **(0.0)** | | **(0.0)** | | **(0.0)** |
| Dividend income | **(0.1)** | | **(0.1)** | | **(0.1)** | | **(0.1)** |
| Residual capital funding | **0.0** | (0.1) | **(0.1)** | 0.1 | **0.0** | 0.0 | **0.0** |
| Town Centre Development Fund | **0.0** | (2.5) | **(2.5)** | 2.5 | **0.0** | 0.0 | **0.0** |
| ICT Investment Plan Resources One-Off | **0.0** | (1.6) | **(1.6)** | 1.6 | **0.0** | 0.0 | **0.0** |
| ICT Investment Plan funding obligations | **0.0** | 0.3 | **0.3** | 0.0 | **0.3** | 0.0 | **0.3** |
| Transformation Fund Resources One-Off | **0.0** | (13.5) | **(13.5)** | 13.5 | **0.0** | 0.0 | **0.0** |
| Transformation Fund funding obligations | **0.0** | 2.7 | **2.7** | 5.4 | **8.1** | (7.1) | **1.0** |
| Transformation Saving Target 2021/22 | **0.0** | (15.0) | **(15.0)** | (9.1) | **(24.1)** | (9.1) | **(33.2)** |
| Net Budget | 283.0 | 4.4 | 287.4 | 22.6 | 310.0 | (1.4) | 308.6 |
| Council Tax income | **(217.1)** | 4.0 | **(213.0)** | (12.0) | **(225.1)** | (10.2) | **(235.2)** |
| Net income from Business Rates | **(58.1)** | 2.6 | **(55.5)** | (3.0) | **(58.4)** | (2.0) | **(60.5)** |
| Revenue Support Grant | **(3.0)** | 0.0 | **(3.0)** | | **(3.0)** | | **(3.0)** |
| New Homes Bonus Grant | **(2.6)** | 0.9 | **(1.7)** | 0.9 | **(0.8)** | 0.8 | **0.0** |
| Collection Fund Surplus Distribution | **(1.4)** | 1.4 | **0.0** | | **0.0** | | **0.0** |
| Parish, Town, Neighbourhood Councils & Charter Trustees | **(0.8)** | 0.0 | **(0.8)** | | **(0.8)** | | **(0.8)** |
| Total Funding | (283.0) | 9.0 | (274.0) | (14.1) | (288.1) | (11.3) | (299.5) |
| | | | | | | | |
| Annual – Net Funding Gap | (0.0) | 13.4 | 13.4 | 8.5 | 8.5 | (12.7) | (12.7) |
| Cumulative MTFP – Net Funding Gap | | | 13.4 | | 21.9 | | 9.1 |

22. Appendix D3 to the substantive Cabinet report includes the detail of the current assumptions used in supporting the MTFP.
23. In terms of updating the MTFP it is recommended that the council prepares its financial strategy on this basis outlined above (scenario A). It is also worth reflecting that different scenarios are possible, due to the considerable uncertainty that exists in the current financial planning environment and framework. To emphasise the point an alternative financial scenario is summarised below;

**Scenario B**

| | |
|---|---|
| £13.4m | Total MTFP pressure for 2021/22 based on scenario A |
| £3.1m | No additional government support from the impact of negative revenue support grant (RSG) as made available in the previous two financial years. |
| £3.9m | Council required to request Secretary of State permission to contribute towards High Needs Deficit |
| **£20.4m** | **Total Scenario B MTFP pressure** |

### Summary 2021/22 Financial Strategy

24. The summary of the current funding gap position in respect of the 2021/22 Budget can be set out as in Figure 4 below

**Figure 4**: MTFP update at October 2020 (**Scenario A**)

| £m | Details |
|---|---|
| 17.3 | Position as per February 2020 February Budget Report |
| (6.4) | Ongoing savings introduced in the June 2020 Cabinet Report |
| (5.0) | Changes in assumptions (negative RSG, Pay Award, contribution to DSG) |
| 3.5 | Transformation – revenue investment (June Cabinet Organisational Design report) |
| 5.5 | Revised operational pressures and savings following August Refresh |
| **14.9** | **Sub-Total Funding Gap for 2021/22** |
| 4.0 | Requested Service Investments |
| **18.9** | **Sub-Total Funding Gap for 2021/22** |

| Covid19 Legacy Issues | |
|---|---|
| 17.1 | Sales, Fees and Charges (predominately Town Centre Car Park Income) |
| 12.2 | Core Income (Council Tax and Business Rates yield) |
| 0.9 | Legacy Costs Issues (Infection Control, homelessness, economic development) |
| **30.2** | **Total Covid19 Legacy Issues** |
| **49.1** | **Sub-Total Funding Gap for 2021/22** |

| Mitigations | |
|---|---|
| (15.0) | Savings target set for the Transformation Programme |
| (4.0) | Removal of requested service improvements |
| (2.0) | Removal of revenue contribution to capital |
| (0.1) | Residual MTFP |
| (1.3) | ICT Investment Plan – refinance by borrowing |
| (10.8) | Transformation Fund – refinance by borrowing and profile into MTFP |
| (2.5) | Other schemes refinanced by borrowing |
| **13.4** | **Funding Gap for 2021/22** |

25. It should be emphasised that the current funding gap of £13.4 million as shown above is net of £8.8 million of savings and efficiencies already programmed and assumed for 2021/22.

26. The approach to setting a robust and lawfully balanced budget for 2021/22 will be therefore an extremely challenging one for the council. The approach to ensuring this happens can be summarised as follow;

a) Encourage the government to continue to meet the original commitment from Robert Jenrick the Secretary of State for Housing Communities and Local Government that promised councils will get all the resources they need to cope with this pandemic.

b) The first draft of the 2021/22 Budget will be drawn including a £2.5 million investment in corporate priorities which is £1.1 million more than the amount assumed in the base for 2020/21.

c) The £15 million savings target for transformation is reaffirmed. It is recommended that the Corporate Director for Transformation brings forward to Cabinet in December a report detailing how such savings will be achieved, including their implications, risks and mitigations and the extent to which they will be itemised in setting the 2021/22 budget. This assumed level of savings for 2020/21 was approved as part of 2020/21 budget monitoring report to June Cabinet.

d) The review of projects (revenue and capital) as put forward as part of the June Cabinet report which set out those schemes and programmes that could be deferred, cancelled or refinanced.

e) Proposals to refinance other capital schemes where appropriate, designed to release resources which can be used to support the 2021/22 budget of the Council. The intention now being to borrow to fund these schemes over the life of the asset, or where they are revenue in nature to meet the cost as part of the budget for the year in which the expenditure falls. Examples of such schemes include the ICT Investment and the previous transformation programme.

f) Recognising the scale of the Covid-19 legacy issues, what the government often refer to as the Covid-19 scarring costs, and the uncertainty as to whether they will be covered by government in either full or part it is recommended that the council;

f1) take all possible steps to avoid using reserves and protect resources earmarked in 2020/21 to mitigate the impact of Covid-19 in the current financial year. If this can be achieved the proposal would be to redirect these resources into a Covid-19 income mitigation reserve.

f2) take all possible advantage of the system to allow council and business rates tax deficits to be repaid over three years instead of one, accepting that the details of the scheme are yet to be announced and therefore the advantage or otherwise of doing so is yet to be clarified.

f3) request that Portfolio Holders, Corporate Directors and Service Directors work together to reduce the operating cost pressures put forward as part of the August 2020 rebase of the Medium Term Financial Plan or to increase the £8.8m of savings, efficiencies and additional income already being put forward for 2020/21 outside of separate Transformation programme. The first draft of the 2021/22 will also be drawn excluding £4.0 million of service improvements requested by the Corporate and Service Directors and the £2.0 million assumed revenue contribution to capital.

g) An ongoing review of resources and provisions to consider inherited amounts from predecessor councils relating to s106 deposits and the community infrastructure levy receipts to establish if there has been consistency in how they have been used and to determine the extent to which they should have been applied to historic capital expenditure. This workstream should also consider the adequacy or otherwise of historic provisions for business rates appeals and provisions.

h) A review of third-party contributions towards forecast costs to ensure they are being maximised. This includes contributions from the Clinical Commissioning Group towards the cost of care.

27. Some of these issues is explored in further detail in the following sections.

## Investments in Corporate and Service Priorities

28. As previously stated, the first draft of the budget for 2021/22 will include a £2.5 million investment in corporate priorities. This is in line with the assumptions of the medium-term financial plan as endorsed by Council in February 2020. Figure 5 below sets out how the previous administration intended to allocate these resources.

**Figure 5:** Previous proposal for the investment of £2.5m in corporate priorities in 2021/22 budget.

| | Amount 2020/21 Base £000s | Additional Amount Requested 2021/22 £000s | Originally proposed total amount for 2021/22 £000s |
|---|---|---|---|
| Regeneration | 370 | 380 | 750 |
| Highway Maintenance | 390 | 265 | 655 |
| Arts and Culture | 150 | 370 | 520 |
| Street Cleansing | 150 | 103 | 253 |
| Climate Change and Ecological Emergency | 240 | 0 | 240 |
| Unauthorised Encampments | 50 | 0 | 50 |
| Community Engagement Strategy | 50 | 0 | 50 |
| **Total** | **1,400** | **1,118** | **2,518** |

29. As could be anticipated, the new Conservative administration will continue to reflect if these allocations accord with their priority areas for investment with future reports

updated for any reprioritisation. Cabinet will also need to consider both the affordability of this commitment and the opportunity, subject to successful management of the all the financial challenges currently faced, to extend this commitment further.

30. This financial strategy also assumes that the first draft of the budget will exclude the £4 million investment in services that has been specifically requested by Corporate and Service Directors.

## Transformation

31. A high-level business case was presented to Cabinet in November 2019 which set out the original scope of the council's organisation design project, which was facilitated by KPMG, and identified that it could potentially deliver up to £43.9 million of gross annual savings by year 4 based on an investment of £29.5 million. The profile of these savings was assumed to accumulate as £7.8 million in year 1 growing to £16.5 million in year 2, £36.9 million in year 3 and £43.9 million in year 4.

32. Council on the 7 July 2020 agreed to the extension of the project to a £38 million programme referencing the quantum leap forward in different ways of working as a consequence of the Covid-19 public health emergency and the need to accelerate the pace at which we generate savings and efficiencies. This report set out that the £43.9 million must now be adopted as our minimum expectation of savings and efficiencies with the 24 June budget monitoring report to Cabinet setting out the proposal to adopt £15 million as the minimum savings target for 2021/22 which is net of an estimated £1.5 million of ongoing savings from the employee base put in place in 2020/21 to help manage the in-year financial position.

33. Figure 6 below statement arguably sets out the benefits from the transformation programme which remain to be realised;

**Figure 6:** Transformation Programme Benefits

| Programme of Change | Estimated benefit - Highpoint (£m) | Phasing (£) | | | |
|---|---|---|---|---|---|
| | | Year 1 | Year 2 | Year 3 | Year 4 |
| Customer Contact | (11.6) | (1.9) | (1.9) | (5.9) | (1.9) |
| Service Redesign | (5.1) | (0.8) | (0.8) | (2.7) | (0.8) |
| Enabling Functions | (5.8) | (1.0) | (1.9) | (1.9) | (1.0) |
| Third party Spend | (19.8) | (3.3) | (3.3) | (9.9) | (3.3) |
| Cost recovery | (1.6) | (0.8) | (0.8) | | |
| **Total Forecast Benefits** | **(43.9)** | **(7.8)** | **(8.7)** | **(20.4)** | **(7.0)** |
| | | | | | |
| **Permanent savings identified as part of 2020/21 Covid19 response** | | | | | |
| Expenditure Cost Base | 4.9 | 4.9 | | | |
| Employee Cost Base | 1.5 | 1.5 | | | |
| **2020/21 - Total Savings identified in-year** | **6.4** | **6.4** | **0.0** | **0.0** | **0.0** |
| **Total Benefits to Realise** | **(37.5)** | **(1.4)** | **(8.7)** | **(20.4)** | **(7.0)** |
| | | | | | |
| **Previous MTFP Savings which were part factored into 2020/21 budget** | | | | | |
| ASC - Front Door | 2.5 | 1.0 | 0.8 | 0.8 | |
| R&E - Cost Recovery - Town Centre & Beach Parking | 0.7 | 0.7 | | | |
| R&E - Cost Recovery - Seafront Rent Reviews | 0.2 | 0.2 | | | |
| R&E - Cost Recovery - CIL Admin fee | 0.2 | 0.2 | | | |
| R&E - Cost Recovery - Beach Hut Income | 0.1 | 0.1 | (0.1) | 0.1 | |
| R&E - Cost Recovery - Increase car parking permits | 0.1 | 0.1 | | | |
| R&E - Cost Recovery - Upton Country Park parking | 0.0 | 0.0 | | | |
| E&C - Cost Recovery - HWRC residents other councils | 0.2 | 0.2 | | | |
| E&C - Cost Recovery - Recharges inhouse maintenance team | 0.2 | 0.2 | | | |
| E&C - Cost Recovery - Trade Waste Charges | 0.1 | 0.1 | | | |
| E&C - Cost Recovery - Bereavement service harmonise | 0.1 | 0.1 | | | |
| E&C - Cost Recovery - Green Waste charges | 0.1 | 0.1 | | | |
| **2020/21 - Total Savings - Detailed in the Original Budget** | **4.3** | **2.8** | **0.7** | **0.8** | **0.0** |
| **Total Benefits to Realise** | **(33.2)** | **1.4** | **(8.0)** | **(19.6)** | **(7.0)** |

34. On the basis that the £15 million has now been set as the savings target for 2021/22 it is proposed to weight the residual £18.2 million evenly (£9.1 million per year) over the following two years. The assumption is that the transformation programme will capture any savings associated with the;

- Work to enable communities take more responsibilities for their need.
- Reduction in employee headcount through the consolidation of common roles/work.
- Reduction in employee headcount through the consolidation of organisational layers/structures.
- Reduction in third-party spend through more robust procurement and contract management.
- This will include smarter ways of working such as the digital mail and the reduction of spend throughout the council by the centralisation of spending on items such as stationary, photocopying and printing. There has also been a review of the corporate structure to enable the council to continue to reflect and realign its management structure to ensure we are continuously improving towards being the organisation that we aspire to be and to ensure we deliver our priorities. This included the integration of the library services with customer facing services and community-hubs and the creation of a new corporate director for marketing, communications & strategy.
- The councils Estate Strategy is also an integral part of the transformation strategy.

**Estate Strategy**

35. Cabinet have established a working group to consider the estates & accommodation strategy and the potential for a single civic centre. This is further to the decision of Cabinet in February 2020, to adopt the Bournemouth town hall campus as our principal office accommodation. As part of their decision Cabinet established that;

a. In the first instance, the relocation of all staff from Poole civic centre, Christchurch civic offices and the Bournemouth learning centre (to the Bournemouth town hall campus) be accelerated to facilitate the closure and/or repurposing of those offices as quickly as possible.

b. As this programme evolves, we will also look to identify as many other buildings as possible that can also be included in the relocation programme in order to either support service development proposals, to facilitate regeneration, or to generate long term income or capital receipts for the council. It should be noted, however, that there is often a significant time lapse between the release of any buildings and the subsequent regeneration or receipt of the transfer proceeds.

c. In undertaking this short-term programme of relocations, we will not materially redesign or refurbish the Bournemouth town hall campus and will seek to reuse as much of the existing office furniture estate as possible. This will mean that the up to £29 million costs identified in the February 2020 Cabinet report will not be incurred.

d. Notwithstanding this, there will be a need to incur some costs to facilitate this short-term programme of relocation and consolidation. These costs are required to cover aspects such as:

    - Removal of non-structural walls to create more open space within some parts of the Bournemouth town hall campus.
    - Investment in appropriate facilities/solutions to comply with social distancing requirements within office environments.

- Transportation of equipment from decommissioned sites to Bournemouth town hall campus.
- The relocation of some critical services currently located within buildings that we are vacating, such as the CCTV monitoring service and the telecare/Out of Hours Support service.

e. A report will be brought to Cabinet to approve any financial consequences once the necessary planning and budgeting work has been completed. This will need to reflect on levels expenditure it is reasonable to spend in the current uncertain financial position and what might be ultimately desirable. This report is presented as a separate agenda item to Cabinet on the 11 November 2020 and requests £6.6m combined revenue and capital investment.

36. Through this workstream, accepting some funding may need to be set aside to cover the borrowing costs of the refit works, it should be possible at a future point in time to deliver at least an element of the operational costs of the following buildings as savings. It should be noted that circa 42 per cent of the budget relates to the business rates for these premises and the exit from such costs will need to be carefully managed.

**Figure 7: Cost of Corporate Centres 2020/21**

| 2020/21 Budgets | Operational Budget £000s | Business Rates £000s | Total Budget £000s |
|---|---|---|---|
| Poole Civic Centre | 412 | 168 | 580 |
| Poole CC Annexe | 55 | 46 | 101 |
| Christchurch Civic Centre | 191 | 93 | 284 |
| Bournemouth TH Annexe | 45 | 117 | 162 |
| **Total** | **703** | **424** | **1,127** |

37. These premises could yield a capital receipt or alternatively could be used to provide an opportunity for regeneration. The latest asset valuations for these assets were identified as follows;

| | | |
|---|---|---|
| Poole Civic Centre | Asset Valuation 2019 | £3,160,000 |
| Poole CC Annexe | Asset Valuation 2018 | £1,380,000 |
| Christchurch Civic Centre | Asset Valuation 2017 | £2,270,000 |
| Bournemouth Town Hall Annexe | Asset Valuation 2016 | £1,820,000 |

38. Work is also ongoing to consider an exit strategy for the leased office accommodation at Newfields, which has an annual operational budget of £161,000 (including £36,000 business rates).

**Project Review**

39. The June Cabinet report set out the implications of a review of all projects (revenue and capital) to determine the extent to which they can be deferred, cancelled or refinanced to release resources to support either the in-year 2020/21 position of the council or the funding of the £37.6 million transformation programme.

40. The proposal now is to take the refinancing of some capital schemes a step further with the process designed to release resources back into revenue in direct support of the 2021/22 budget of the Council. Where capital expenditure is being refinanced the intention is to borrow to fund these schemes with the cost spread of the life of the asset. Where the expenditure is of a revenue nature the intention is to fund the cost as part of the budget for year in which the expenditure is programmed to fall. This

approach is clearly different from the historic approach adopted by the Council however it will enable the Council to match the cost of investments with their benefits. It will also enable the Council to manage its resources over the period it expects its transformation programme will take to mature and deliver the full scale of its benefits.

41. Examples of such schemes include the ICT Investment which will be refinanced via borrowing and the transformation programme which will be refinanced through a mixture of borrowing and future year revenue commitments. Should any future year revenue commitments not be deliverable then the underlying programme will need to be curtailed at that point. Borrowing commitments are a first call on the resources the Council is annually able to generate.

**Government Lobbying**

42. Financial planning is difficult at the best of times let alone during a public health emergency and outside of a clear financial planning framework from government. Such a framework is normally provided by three- or four-year government spending reviews which set the departmental spending limits and although not at a local authority level provide a degree of certainty and stability for the council's own financial planning. The last multiyear spending review ended in 2019/20 and a one-year spending round was issued for 2020/21. As part of his summer statement the Chancellor announced that he will introduce measures to support the longer-term recovery through a budget and spending review in the autumn. It has been announced that a further one-year spending round  will be issued for 2021/22 with a longer-term spending review deferred until 2021 at the earliest.

43. Councils will keenly await any announcements in this spending round / review especially those relating to;

    - Any further actions taken to continue to meet the government promise that councils will get all the resources they need to cope with this pandemic.
    - The scheme introduced by Robert Jenrick as part of his announcement on the 2 July 2020 of a comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic and specifically the system to allow council and business rates tax deficits to be repaid over 3 years instead of one.
    - Council tax referendum limits for 2021/22 onwards.
    - Whether the funding introduced annually by the government over the last two years to prevent the removal of negative revenue support grant will continue. Scenario A of the MTFP refresh currently assumes this funding will continue. This assumption maybe vulnerable due to the government's previous commitment to a levelling up every part of the country and investing in every region.
    - The future replacement for the new homes bonus. A £920,000 provision is currently provided for in next year's MTFP to reflect the reducing profile of payments for legacy allocations.
    - Social care funding and the extent to which specific government grant funding will continue in line with the current planning assumption.
    - The timing and impact of the implementation of a 75% Business Rates retention model and the Fair Funding Review.
    - Impact of the Social Care Green Paper.

44. It is therefore proposed that the council continue to lobby to ensure the government can continue to demonstrate that it has met its commitment to cover the cost of anything it has asked the council to do in response to Covid-19, be that protecting

vulnerable children, the provision of social care or housing support for rough sleepers. The council continues to be active in this area through direct representation to both the Treasury and the Ministry of Housing, Communities and Local Government, letters to local MPs so they can campaign on our behalf, and via the work with both the Local Government Association (LGA) and south west councils. This included undertaking a case study as part of the LGA work to demonstrate the financial impact of Covid-19.

45. It is also recommended the Council support submissions to the Government as part of the autumn spending review and directly lobby in respect of the impact of the pandemic on the level of income that can be assumed in 2021/22 not just around council tax and business rate yields but also sales, fees and charges. The Government are cited as saying consideration to such issues, which they refer to as an example of “covid19 scarring costs” will be referenced in the spending round / review.

46. Opportunities will also be taken to continue to bid for government investment in key projects and infrastructure in support of the council’s corporate strategy. Examples include bidding for funding from Homes England to support the delivery of affordable housing or bidding for funding from the Transforming Cities Fund to support key transport infrastructure.

**Fundamental Review of Services**

47. The target set for transformation clearly demonstrates the shift away from a service-based savings approach and towards delivering savings at an enterprise level. However, there is a high degree of risk associated with the delivery of the transformation programme especially as a strategic partner is unlikely to be appointed until early in the 2021 calendar year. It is also recognised that the £15 million target for transformation is insufficient in the first instance to close the funding gap for 2021/22.

48. On that basis it is recommended that Portfolio Holders work with each of the Corporate Directors and Service Directors to challenge the additional resources they have requested as part of the fundamental annual rebase of the MTFP and to explore the extent to which additional savings and efficiencies can be delivered.

49. Notwithstanding the specifics of this approach, work still to be carried out includes:

    - A review of models for the delivery of the council’s housing stock and to consider a consistent future operating model.
    - Consideration of the extent to which services should be reset following the public health emergency.
    - Creating consistent service standards by April 2021.
    - Alignment of fees and charges policy by April 2021.
    - Consideration to increasing all fees and charges annually in line with the Government’s 2% inflationary target.

    It is the stated intention of the council to create consistent service standards and align fees and charges policies by next April to ensure consistency with the intention to harmonise council tax from 1 April 2021 onwards.

**Reserves**

50. Consideration will be given as to extent to which the 2021/22 Budget can and should be supported by reserves. For example, it might be appropriate to mitigate the risk associated with legacy impact of Covid-19 to use the specific earmarked reserve established in the current 2020/21 financial year to support the uncertainty associated with future income streams. However, this would only be possible in

circumstances where the reserve is not needed to support, as set out in the June Cabinet report, the balancing of the 2020/21 budget.

**Ongoing Review of Resources and Provisions**

51. It is proposed as part of this financial strategy that the council also continues with the previously commissioned workstreams in respect of considering inherited amounts from predecessor councils relating to s106 deposits and the community infrastructure levy receipts to ensure they have been applied as anticipated.

52. This review of baseline resources will also consider the adequacy or otherwise of historic provisions for business rates appeals and provisions.

**Council Tax Strategy**

53. The 2020/21 budget endorsed a council tax harmonisation strategy designed to ensure consistent levels of tax are charged across the conurbation from 1 April 2021 onwards (2021/22 financial year). At its core this strategy was underpinned by a 3.99 per cent assumed increase as adjusted for the impact of the precept for Chartered Trustees in 2020/21. The changes in each town being as follows in Figure 9;

**Figure 9:** Council Tax Strategy Budget Report 2020/21

**2020/21 Financial Year**

- **Poole and Bournemouth = 2019/20 charges plus 3.99%, as adjusted for the impact of the Chartered Trustees precept.**
- **Christchurch = 3.5% reduction which is to a level of tax consistent with the 2021/22 estimate for Poole.**

**2021/22 Financial Year**

- **Poole = 2020/21 charge plus 2.99%**
- **Bournemouth = 2020/21 charge plus 0.76% which would mean harmonisation with Poole and Christchurch.**
- **Christchurch - Frozen for 2020/21. This is on the basis that their 2020/21 rate is equivalent to that proposed for Poole in 2021/22.**

**Harmonised Council Tax achieved in 2021/22**

| | 2019/20 | 2020/21 | *Increase* | 2021/22 | *Increase* |
|---|---|---|---|---|---|
| **Christchurch** | 1,598.30 | 1,541.57 | *-3.55%* | 1,541.57 | *frozen* |
| **Bournemouth** | 1,473.40 | 1,530.00 | *3.84%* | 1,541.57 | *0.76%* |
| **Poole** | 1,441.53 | 1,496.81 | *3.83%* | 1,541.57 | *2.99%* |

- *Please note the above table excludes the impact of the separate Chartered Trustee council tax charge in Poole and Bournemouth which will be applied from 2020/21 onwards.*

- *The above table also excludes any potential adjustment to the Bournemouth area council tax arising from the establishment of the Throop and Holdenhurst parish on 1 April 2021.*

54. The intent in harmonising council tax over the first three years of the new BCP Council has been to align with the period required to deliver consistent levels of service.

55. As part of 2019 spending round the government announced that the council tax referendum threshold was 3.99 per cent for 2020/21, made up of a 1.99 per cent core increase and a 2 per cent adult social care precept. Such a move was consistent with the strategic approach taken by government in its 2015 spending review which was to increase council tax as a mechanism for funding local services, and within that the use of the adult social care precept as a means of asserting national direction on how such resources are applied.

56. In respect of the legislation which supported the creation of BCP Council the Secretary of State was keen to strike the right balance between ensuring council tax payers do not experience a large increase in bills and not allowing residents in any one part of the area to be concerned that they are effectively contributing more to the cost of services than others in the area. Therefore, BCP Council are permitted to consider either;

    1. harmonising over a maximum of seven years with a fully equalised council tax to be set by the start of year eight at the latest (2026/27).

    2. harmonising at the average council tax across the area in any year prior to 2026/27. Option B in the table below.

57. The regulations also allow BCP Council to apply the annual referendum principles in any year before harmonisation to either the average council tax across the whole area, or to the council tax in each predecessor area.

Adam Richens - 20 October 2020