# BCP Medium Term Financial Plan

## Key Financial Planning Assumptions

The MTFP as presented is based on several key assumptions that although they have been informed by numerous factors such as government announcements, economic forecasts, and trend analysis, are also based on professional judgement. They can be listed as follows;

**Additional Investment into Services gross of savings (include pay, pensions, price and excluding savings)**

### a) Investment in adult social care - £8.8 million 2021/22

The MTFP makes provision for an additional net £19.5 million investment in adult social care services over the 3-year period to March 2024. This pressure is a combination of;

1) Assumptions around inflationary pressures within the care market. These pressures mainly relate to increases for providers in staffing costs where a significant driver will be the consequential impact of increases in the national living wage.
2) Demographic growth within the Learning Disability and Mental Health client group.
3) Demographic growth in demand for care packages for people with long-term conditions including those to support the NHS urgent and emergency care system as well as preventing delayed discharges from hospital.
4) Increased cost in respect of people with no recourse to public funds.

On the 31 December 2019 the Government published their response to the Low Pay Commission's recommendation on the national minimum (NMW) and national living (NLW) wages which promised that the NMW for over 25 will reach £10.50 in 2024. The NLW increased from £8.21 to £8.72 in April 2020 (6.2%). The NMW remains a key cost driver for the cost of care services has been factored into the cost pressures increasing 5% per year reaching £10.50 by April 2024.

The MTFP assumes that the government will continue to provide Infection Control grant for the care sector to support restrictions of staff movement between care providers, paying full wages for staff isolating and funding the cost of PPE for Covid-19 on an ongoing basis. The assumption therefore is that the Council do not need to provide for and fund such costs.

It should also be noted that a Mental Capacity (Amendment) Bill has replaced the Deprivation of Liberty Safeguards (DoLS) with a scheme known as the Liberty Protection Safeguards (LPS) with the target date for implementation of October 2020 has been postponed. These arrangements describe the procedures when it is necessary to deprive a resident in a range of settings of their liberty as they lack capacity to consent to their care to keep them safe. The council will commit spending on this activity up to any amount funded by the Government.

It had been anticipated that the green paper on social care funding would provide a sustainable funding source for adult social care moving forward. The spending round in 2019 SR19 and the subsequent Queen's Speech set out that the government intend to provide the detail of these fundamental reforms in due course.

**Appendix D3**

**b) Investment in children's services** (including social care) **- £5.5 million 2021/22**

The MTFP makes provision for an additional net £11.5 million investment in children social care services over the 3-year period to March 2024. The most significant and notable of these can be listed as;

1) an increase in the cost of children in care:
   - the overall number of children in care has remained steady for the early months of the financial year but we are now seeing an increase in the numbers entering care, and the new children coming into care are often more expensive than the children leaving care for instance after turning 18.
   - in addition to the cost of new placements is the increased cost arising due to the complexity of some existing and new cases.
   - new cases and subsequent placement costs relating to 16+ cohort around complex safeguarding.
   - there is a significant package of cost within the CHAD team (Children with Health & Disability). This has recently been agreed to receive a health contribution and the process is underway in health with a lead nurse engaging with the family and with existing support/professionals to determine the package of care required. It is only once the required package of care is determined that we will know which health elements cannot be provided through universal services and require funding from health. Last financial year we also had a significant high cost package of care, so we are beginning to see a pattern of highly complex needs cases which require support from health.

2) rebase of the budget for the front door and assessment social work team's establishment to recognise the increase in workload.

3) additional investment needed for S17 payments. Under section 17 of the Children Act 1989, social services have a general duty to safeguard and promote the welfare of children in need in their area where children require extra help from professionals to achieve or maintain a reasonable standard of health and/or development. Investment into this area can delay or reduce the expenditure needed for instance on expensive residential packages.

**c) Investment in Environment and Communities - £2.8 million 2021/22**

The proposed budget for 2021/22 makes provision for £2.8 million additional investment into environment and communities.

Predominately this relates to the disposal of waste, both residual and recycling.

1) Recycling - Seven years ago, the predecessor councils would have been receiving income for the recycling material it collected. Two years ago, it would have cost approximately £35 per tonne to dispose of the same quality of material. Today the council is having to pay in the region of £60 per tonne. The market is proving to be volatile in an unprecedented way, partly related to the covid pandemic, and forecasting the cost of disposal for 2021/22 is difficult. The tonnages collected are also running at about 5% higher than the previous twelve months, the reason for this is thought to be the increased number of people working from home. The current estimate for the impact of the volatility of the cost and the increased tonnage is £0.6 million.

2) Waste - The residual waste contract is due for renewal in August 2021 for the Bournemouth and Christchurch areas. Currently the council pays £133 per tonne for disposal of residual waste in the Christchurch area, and £109 per tonne in the Bournemouth area. Both are expected to increase to about £135 per tonne. As with recycling waste, the tonnages collected are in the

region of 5% higher than the previous twelve months for the same reason. The expected increase in cost and tonnages will result in an additional cost of £0.4 million.

3) The above two pressures have been mitigated to some extent by the fact that the anticipated £0.6 million increase in costs assumed as part of the 2020/21 budget relating to the 32 euro per tonne tax on all waste imported to Holland (which has been converted to fuel) has not been passed onto the council.

In addition, there are several further pressures including;

4) A reduction in the income forecast to be generated from bereavement services in relation to cremations of £0.5million. In addition to the private crematorium that opened just outside the BCP conurbation with a private chapel within Christchurch, planning permission has been given for the building of a private crematorium in New Milton. A revised business case for the service will be presented to cabinet later in the year.

5) The purchase and maintenance of the council's fleet has been centralised. Individual services are no longer responsible, or hold the budget, for these fleet functions. A separate report on creating a sustainable fleet management strategy for the council is due to be reported to Cabinet and identifies a pressure from 2022/23 to repay the prudential borrowing used to purchase vehicles. The fleet requirement has been reviewed with each of the services to ensure that proposed purchases are essential to service provision. Without this investment council services could fail e.g. social services transport, waste collection, seafront maintenance etc. The reason for the pressure is mainly due to the use of one-off revenue funds/grants to purchase vehicles in a legacy council. Purchasing vehicles from such sources meant there was no built-in ability to purchase replacements when due.

6) BCP Council inspects its highway in accordance with the Well Managed Highways Infrastructure code of practice 2016 and insurance provider requirements At the current time there are c.1000 outstanding defect repairs across BCP Council of which c.750 are overdue their allocated rectification date which presents a real legal, financial and reputational risk to the Council. The ongoing overall decline of the network means that defect demand is increasing and as such there is a pressure on revenue budgets. The estimated on-going annual impact on revenue budgets is £0.5 million. This pressure has been mitigated by the confirmed application of capital funding in 2020/21.

7) Port Health costs associated with the transition from the European Union which have been mitigated in part by grant income.

**d) Investment in Regeneration and Economy - £18.2 million 2021/22**

An amount of £18.2 million has been set-a-side as part of the budget for 2020/21 to support increasing cost pressures specifically associated with regeneration and economy.

The most significant theme is the potential ongoing impact of the pandemic. Significant reductions in income totalling £16.6m are forecast. The key areas affected are car parking (£9.9m), seafront trading operations (£3.4m), cultural, heritage and leisure assets (£2.1m) and property (£1.2m).

Further to this, a need to increase investment and support to help the local economy recover from Covid-19 has resulted in £0.8m of pressures.

The impact of inflation (including concessionary fares, PFI contracts, rates and utilities), pension and pay award increases has led to pressures of £1.3m.

Regeneration schemes being delivered via the Bournemouth Development Company (BDC) necessitate temporary closure of car parks during the construction phase this has resulted in pressures of £0.8 being included.

**e) Government funding reductions** (including New Homes Bonus)

BCP Council received £3 million in Revenue Support Grant (RSG) from the government in 2019/20. This grant can be used to finance revenue expenditure on any council service and is set out annually in the local government finance settlement. This £3 million is driven by the characteristics and activity of the Bournemouth area.

Across BCP it is estimated that this core grant funding is £103 million less in 2020/21 than the annual award it otherwise would have received in 2010/11.

As part the government's funding formulae some authorities are deemed to receive more income from council tax and business rates relative to other authorities. This perceived excess amount, known as negative revenue support grant, amounted to £3.1 million for Poole and Christchurch. The Governments stated intention was to remove these resources which would have meant BCP paying across £3.1 million of its council tax and business rates resources to be redistributed nationally. The government however have provided what they described as one-off resources in both 2019/20 and 2020/21 to avoid negative RSG impacting on the council.

On the basis that the potential impact of negative RSG has not been implemented in either of the last two years, the government's manifesto pledge not to allow a return to austerity cuts, and the expectation that current levels of government funding will be rolled forward into 2021/22 it is proposed not to assume that the council's funding will be reduced by £3.1 million. 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 assumption of a roll forward of 2020/21 government grants into 2021/22 has also been applied to specific grants such as;

- Adults and Children's social care grant (£9.6 million 2020/21)
- Better Care Fund

There are two exception to this assumption. The first is in respect of the housing benefit administration grant which is being reduced year on year to reflect the movement of clients towards universal credit. The second is the new homes bonus (NHB) grant which was introduced in 2011 to incentivise local authorities to encourage housing growth in their area. BCP achieved NHB of £3.8 million in 2019/20 with the grant structured around receiving a grant for four years for each new home above a 0.4 per cent baseline, with the value based on the average national council tax level. Previously the indication was that 2019/20 would be the final year for any new NHB allocations as the government looked to explore how to incentivise housing growth as part of the next spending review.

The 2019 government spending round however set out the intention to make available funding to support an additional 2020/21 allocation for new homes delivered but that this would not result in any legacy payments being made in subsequent years. Therefore, the MTFP assumes the following profile of NHB payments which equates to a £0.9 million reduction in government funding when comparing 2021/22 with 2020/21.

**Figure 1:** Profile of New Homes Bonus payments

| Year Payment | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|
| **Bonus Year** | | | | |
| **2016/17** | £1,808,241 | | | |
| **2017/18** | £251,901 | £251,901 | | |
| **2018/19** | £881,673 | £881,673 | £881,673 | |
| **2019/20** | £846,339 | £846,339 | £846,339 | £846,339 |
| **2020/21** | | £667,924 | | |
| **Total Payment** | **£3,788,154** | **£2,647,837** | **£1,728,012** | **£846,339** |

Alongside the reduction in NHB the council is also anticipating a £0.2 million reduction in the housing benefit administration grant it receives. This reflects the historical year on year reduction to reflect the move from housing benefit to universal credit.

### f) Pay Award across all council services

Local government agreed pay awards for 2018/19, 2019/20 and 2020/21 were 2 per cent, 2 per cent and 2.75 per cent respectively.

The budget for 2020/21 assumed a 2% increase within the base budget of each service directorate with, as a corporate item, provision being made for a potential 0.75 per cent increase which reflected the strong wage inflation during the previous twelve months.

The MTFP makes provision for a 0% increase in 2021/22. This reduced overall provision reflects the biggest fall in wages since the three months to April 2009 amid lower pay for furloughed employees, reduced bonus in the wider economy and the likely impact of rising unemployment in a recessionary economy.

The base revenue budget contingency will need to consider the risk associated with this assumption and ensure appropriate provision should a national pay award be approved.

In addition, the budgetary provision is made for between 95 per cent and 98 per cent of each service's employee establishment to allow for the impact of turnover and other matters on the actual costs of the service. Services are expected to manage the impact of any incremental drift in their pay base.

The assumption continues to be made that the harmonised pay and grading structure of BCP Council will be cost neutral. It is currently anticipated that the new pay and grading structure will become effective from 1 October 2021.

### g) Pension Fund – Revaluation impact

BCP Council is a member of the Dorset Local Government Pension Scheme administered by Dorset Council. The funds actuary Barnett Waddingham is required to revalue the fund every three years (tri-annual revaluation) to determine both the value of its assets and liabilities and the contributions rates for each employer in the fund. The fund was last revalued as at April 2019 with the impact as follows;

**Figure 2:** BCP Pension Fund – funding levels

| Local Authority | 31 March 2019 Funding level | 31 March 2016 Funding level |
|---|---|---|
| Bournemouth Council | | 79% |
| Christchurch Council | | 88% |
| Dorset Council | | 80% |
| Poole | | 86% |
| **BCP Council** | **92%** | **82%** |

As at 31 March 2019 BCP Council has a funding deficit of £86.6 million with a resulting funding level of 92 per cent. The improvement was a combination of the good asset performance of the fund with a slowdown in mortality improvement, negated to some extent by an assumption of higher future inflation and a lower discount rate compared to the 2016 valuation.

As part of the process agreement was reached with the pension fund actuary in respect of the profile of primary rate and back-funding contributions over the three-year period which are then fixed until the next tri-annual revaluation. This approach offers a degree of protection to the council in respect of the impact of the pandemic as any impact will not impact until the 2023/24 financial year. That said, it should also be recognised that recent changes in legislation state that the actuary can now request an employer changes their contribution rates/levels between formal valuation dates although this ability has not yet been used;

**Figure 3:** BCP Pension Fund contributions agreed with the Actuary

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|
| Ongoing (primary) rate | 15.6% | 16.2% | 16.8% | 17.4% |
| Back-funding (secondary) rate | £9.428m | £5.887m | £6.101m | £6.324m |

Generally, in respect of the 2019 revaluation, the increase on the ongoing rate was offset by the reduction in the back-funding element although it should be acknowledged that agreement was reached with the actuary to taper the ongoing rate increases over the three year period.

### h) Inflationary costs

Inflation is only provided for in service directorate budgets where it can be demonstrated that it will be needed due to either market or contract conditions. Inflation as at August 2020 was 0.2 per cent as measured by the (CPI) Consumer Price Index (July 1 per cent).

### i) 2021/22 Local Council Tax Support scheme (LCTSS)

Cabinet in December 2019 agreed there would be no change to the local council tax support scheme (LTCS) between 2019/20 and 2020/21.

As part of the government's response to Covid19 the Council was allocated £3.1 million to credit the council tax accounts of working age claimants with a recommended minimum £150 for this financial year. This will include the new LCTSS accounts resulting from the 14% increase in the cost associated with working age claimants between March and August 2020. There is no indication that the government will support a similar support mechanism in 2021/22.

Ongoing consideration is being given to potentially consulting during the spring/summer of 2021 on a revised scheme for 2022/23 onwards.

## j) Assumed savings and efficiencies

Figure 4 below identifies that the current £13.4 million funding gap for 2021/22 is after the assumed delivery of £8.8 million in additional savings and efficiencies being put forward by Directorates in establishing their estimated funding requirements for next year. These savings generally flow from reduced staffing, reduced operational costs, from creating common and consistent charging policies following the creation of the new BCP Council as part of the review of local government in Dorset. At this stage they exclude the savings from the main transformation programme which has been set a £15 million target for 2021/22.

A full detailed schedule of these already assumed savings and efficiencies are attached as Appendix D3i. It should be stressed that some of these savings have been assumed for financial planning purposes only as they will remain subject to public and staff consultation and subsequent councillor approval.

Figure 4 below sets out an analysis of the £29.4 million service-based savings and efficiencies for 2019/20(£11.2 million), 2020/21 (£9.4 million) and 2021/22 (£8.8 million);

**Figure 4:** Analysis of service-based savings (shown on an incremental basis)

| | Budgeted 2019/20 £m | Budgeted 2020/21 £m | Estimated 2021/22 £m | Total £m |
|---|---|---|---|---|
| Staffing and organisation | (5.3) | (2.9) | (1.9) | **(10.1)** |
| Transformation | | (1.0) | (0.3) | **(1.3)** |
| Democratic Representation | (0.5) | | | **(0.5)** |
| External Audit | (0.2) | | | **(0.2)** |
| Service Efficiencies | | | | |
| Adult Social Care | (2.0) | (2.0) | (3.3) | **(7.3)** |
| Children Services | (0.2) | (0.1) | (0.3) | **(0.6)** |
| Place Theme | (0.7) | | | **(0.7)** |
| Regeneration & Economy | | (0.5) | (0.0) | **(0.5)** |
| Environment & Communities | | (0.2) | (0.4) | **(0.6)** |
| Resources | (0.7) | (0.3) | (0.7) | **(1.7)** |
| Commercial Opportunities | (0.7) | (0.3) | | **(1.0)** |
| Fees and Charges | (0.9) | (2.1) | (1.9) | **(4.9)** |
| **Total** | **(11.2)** | **(9.4)** | **(8.8)** | **(29.4)** |

These total savings can be compared to the £14.2 million (£9.2 million net) that Local Partnerships stated could be realised in BCP Council in their August 2016 financial model associated with Local Government Review (LGR) in Dorset. Across the two new unitary Councils the savings total was £27.8 million gross or £18.1 million net, which was after allowance had been made for savings from joint working prior to the 1 April 2019.