CABINET

Report Subject	**2021/22 Budget and Medium Term Financial Plan (MTFP)**
Meeting date	10 February 2021
Status	Public
Executive summary	To set out for cabinet consideration and recommendation to council the proposed 2021/22 budget and council tax. The budget as presented; a) has been drafted on a base 1.55% increase in council tax for 2021/22 applied to the average BCP council tax for 2020/21 as permitted by Government under the Dorset local government review process. b) harmonises council tax at £1,541.57 from 1 April 2021 which is the amount assumed in the 2020/21 budget report. c) Invests £7.5 million into the Children's Services improvement plan.
Recommendations	**Cabinet RECOMMENDS that council;** 1) undertake a recorded vote in relation to the following items as required by the Local Authorities (Standing Orders) (England) (Amendments) Regulations 2014 which came into force on the 25 February 2014; a) A net budget of £241.1 million, resulting in a total council tax requirement of £214.5 million, is set for 2021/22 based on the settlement figures published by government in December 2020. This is based upon: i. an increase in council tax in 2021/22 which means that the total BCP unitary charge will increase by 1.55% when applied to the average charge for 2020/21. Individual resident charges can be summarised as; 1. Bournemouth's council tax charge being an increase of 0.76% over that levied in 2020/21. 2. Christchurch's council tax charge being frozen compared to that levied in 2020/21. 3. Poole's council tax charge being an increase of 2.99% over that levied in 2020/21. These increases can be compared to the 4.99% maximum permitted increase for 2021/22 and recognises that the government continue to promote council tax increases via the social care precept as a funding mechanism for social care. ii. the key assumptions and provisions made in the budget as proposed,

	set out in paragraph 35 to 56; iii. the allocations to service areas in the budget as proposed and as set out in Appendix 2a; iv. the capital investment programme (CIP) as set out in paragraphs 93 to 154 and Appendix 4; v. the use and level of all reserves to be held by the council further to the advice of the chief finance officer as set out in paragraphs 155 to 173 and Appendix 3 to this report; vi. treasury management strategy (TMS) and prudential indicators as set out in paragraphs 174 to 183 and Appendix 5; vii. the chief officers' pay policy statement for consideration and approval by the council in accordance with the provisions of the Localism Act 2011 as set out in paragraphs 185 to 186 and Appendix 7; b) approve a £7.2 million gross investment in the council's corporate priorities (£6.2 million net) in 2021/22 which is an increase of £4.8 million compared to the 2020/21 budget; c) approve the flexible use of capital receipts strategy to deliver significant resources towards the BCP Council transformation programme as set out in paragraphs 57 to 67; d) approve the fundamental refinancing of the capital programme and the move to borrowing as a means of financing previously approved programmes of the council as discussed in paragraphs 150 to 154; e) approve the establishment of a £50 million futures fund to support key infrastructure developments as set out in paragraph 97; f) approve the investment of £10 million in special educational needs and disability (SEND) capital expenditure to support the Council in addressing the year on year deficits in the high needs block of the dedicated schools grant as set out in paragraph 110; g) note that it has been agreed, due to unforeseen circumstances, that neither the Council nor Homes England will be taking forward the provision of the grant award relating to the Turlin Moor housing site at this time. This will result in the loss of £3.838m grant funding for the scheme as set out in paragraph 139; h) approve the revised funding strategy for the Council's current approved Capital budget of £420,000 to support delivery of the Turlin Moor project as set out in Appendix 4a, as follows: - a. £138,000 which was originally to be funded from the Homes England Grant monies for professional work required to inform the land remediation requirements will now be met from Section 106 monies collected to deliver affordable housing b. £168,000 from further Section 106 monies collected to deliver affordable housing c. £114,000 as an allocation from 2018/2019 in-year capital underspend

	i) that the chief finance officer provides council with a schedule setting out the rate of council tax for each category of dwelling further to councillors consideration of the decision required in respect of (a) above and after taking account of the precepts to be levied by the local police and fire authorities, neighbourhood, town and parish councils, and chartered trustees once these have been determined prior to the Council meeting on the 23 February 2021.
Reasons for recommendations	The council is required to set an annual balanced budget presenting how its financial resources, both income and expenditure, are to be allocated and utilised. In setting the budget for 2021/22 it is critical that councillors recognise their duty is to balance this budget in a manner which reflects not only their obligation to current taxpayers but also reflects their obligations to future taxpayers.
Portfolio Holder	Cllr Drew Mellor – Leader and Portfolio Holder for Finance and Transformation
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Wards:	All
Classification:	For Recommendation

Overview of the proposed 2021/22 budget

1. The 2021/22 budget as presented is a bold, creative, dynamic, responsible, and robust budget which;

   a) harmonises council tax with a consistent rate being charged across the BCP area from April 2021 onwards.

   b) continues to work to ensure consistent standards of service are delivered across the council.

   c) invests £7.5 million in the Councils highest priority area, namely the children's services improvement plan alongside an additional £1 million for the innovative Children's Covid Recovery Fund.

   d) has due regard to the severely high level of uncertainty being caused by the global public health emergency and the need to support the integrity of the council's financial position and its future sustainability. This includes, as a one-off for 2021/22, increasing the base revenue budget contingency by £2.4 million to £3.6 million.

   e) invests £50 million in a futures fund which will enable the Council to support our community recover from Covid-19 with an emphasis on creating a world class city region, stepping up regeneration with a renewed focus on place-based leadership and restoring a sense of pride.

f) is based on the delivery of a further £20.6 million in annual service-based and transformation-based savings in addition to the £20.6 million delivered to support the 2019/20 and 2020/21 budgets, bringing the total service-based annual savings following local government review (LGR) to £41.2 million whilst reducing the previous target for 2021/22 transformation savings from £15 million to £7.5 million to reflect the pressure the organisation is under in terms of its response to the Covid pandemic. These savings have prevented some of the cuts to services being implemented by other local authorities at this time.

g) Invests £7.236 million gross in the new council's priorities in 2021/22. This expenditure most notably includes;

- £1,750,000 investment in regeneration.
- £1,000,000 as a one-off in education to help children catch up with their education and to support their mental health.
- £1.155 million gross to improve standards in the highway maintenance network and to address the impact of the inherited under-investment across the Christchurch locality.
- £500,000 in arts and culture recognising the importance of taking forward the BCP Cultural Compact.
- £453,000 to improve street cleaning standards across the conurbation including addressing the lack of resources available within the Christchurch locality.
- £250,000 in support of a cultural bounce back festival.
- £250,000 to reduce the current pressures in the planning system.
- £240,000 being set aside to support the climate change and ecological emergency.
- £240,000 to improve Community Safety by appointing six extra Community Safety Accreditation Officers.
- £60,000 in assistive technology to start the transformation journey in Adult Social Care
- £50,000 to improve site management of unauthorised encampments
- £50,000 in a community engagement strategy with a particular focus on embedding Asset-Based Community Development.

h) prioritises investment in services to the most vulnerable members of our community with an extra £13 million allocated for adult services.

i) delivers resources to fund the transformation of the council in 2021/22, with £23.6 million being funded from the application of a flexible use of capital receipts policy with a specific £12.9 million transformation financial resilience reserve being set aside in mitigation which for the purposes of the budget it has been assumed will be applied.

j) continues the transformation of the council and our journey to create a vibrant new entity which re-imagines and creates a modern and efficient organisation.

k) continues to protect and invest in vital frontline services.

Background detail

2. The creation of two new unitary authorities, covering the geographical area of Dorset, was a strategic response to the financial challenges faced by all local authorities since 2010 following the application of the government's austerity programme, particularly those upper tier authorities facing significant demand and cost increases in adults and children social care services. Cutting out duplication and lowering administration costs delivered by the reduction from nine local authorities to two in Dorset was designed to ensure improved value for money (VfM) for local council taxpayers and to better enable the protection of quality front line services to our community and residents.

3. In considering the 2021/22 budget for BCP Council it will be important that it is 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 2021/22 is proposed to be £241 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 global Covid-19 public health emergency.

4. BCP Council's Corporate Strategy was adopted by the council on 5 November 2020. 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:

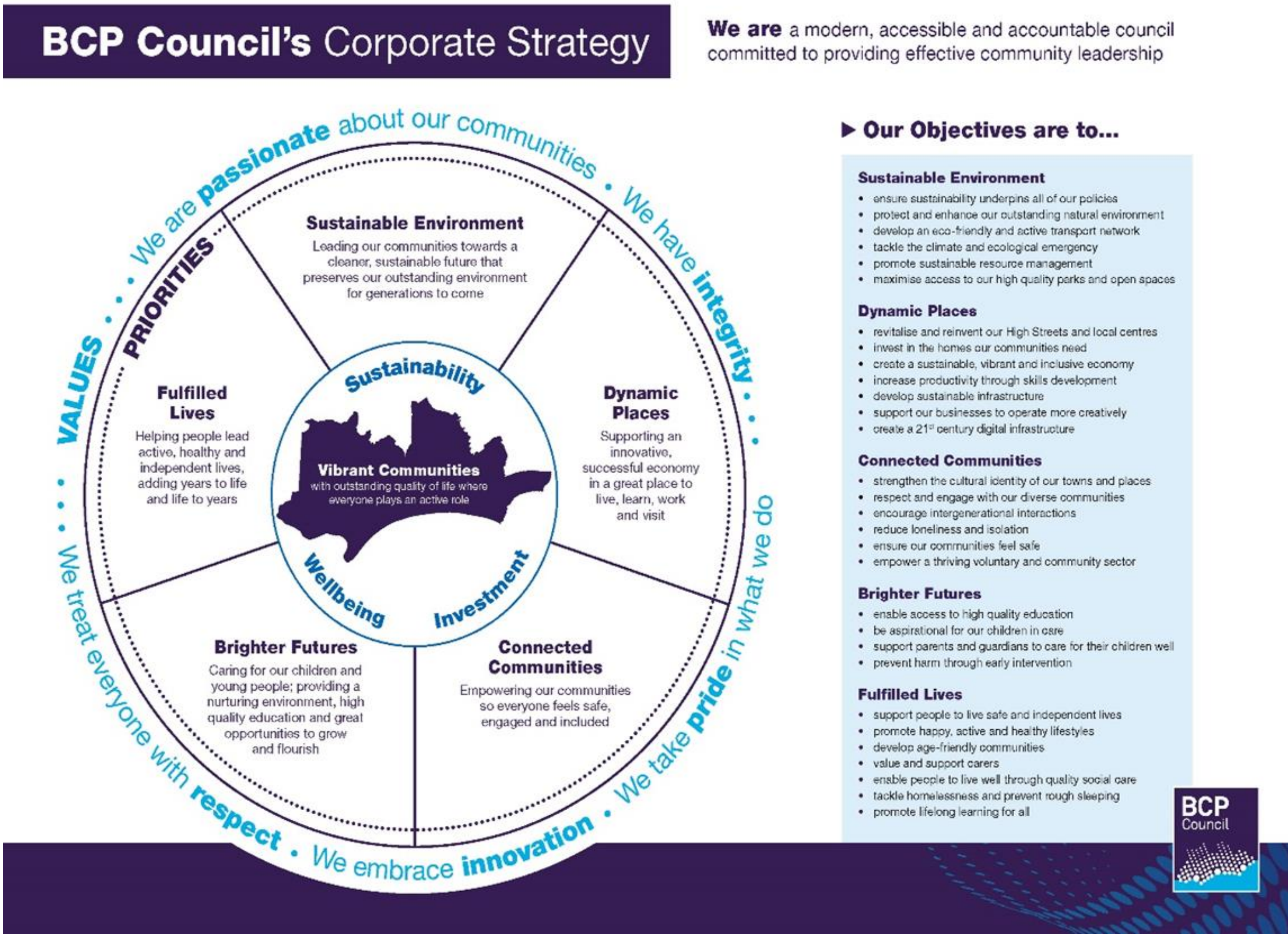
   - **Sustainable Environment** - leading our communities towards a cleaner, sustainable future that preserves our outstanding environment for generations to come
   - **Dynamic Places** - supporting an innovative, successful economy in a great place to live, learn, work and visit
   - **Connected Communities** - 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.

5. The strategy is underpinned by an agreed set of core values and delivery plans which set out how the council will achieve the priorities. Alongside this the Leader and Cabinet have developed a vision and narrative for the place of Bournemouth Christchurch and Poole as the UK's newest coastal city region, picking up many of the aspirational themes for the place from the original Local Government Reorganisation planning papers.

6. As well as the delivery plans, which describe how the Council will deliver the priorities in the Corporate Strategy, a programme of five major projects has been developed to deliver big changes across our whole area over the next five to ten years. It is expected that these will support the creation of 30,000 jobs across all sectors of our economy, creating wealth for our businesses and incomes for our families.

7. The projects will make up the ‘Big Plan’ that reflects the scale of the council’s ambition for the area and which will enable the articulation of that vision with key regional and sub-regional partners and with government.
8. These are presented to this meeting as a separate item on the agenda and provide the strategic context for this budget

Figure 1: BCP Corporate Strategy



Impact of the Covid-19 Public Health Emergency

9. This budget cannot be established without considering the medium to long term impact of the country’s biggest public health emergency for a generation. Since March 2020 the Covid-19 global pandemic 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 future sustainability.

10. 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 response of the public sector and social care workforce, and making over £145 million in grants to local businesses and individuals through the council.

11. At the same time the council's varied income base collapsed with leisure centres shut, seafront services closed, and parking fees not generated, as well as lower council tax and business rates yields. This loss of income represented a real reduction in the resources available to fund local services and without government support would have meant the council would have had to fundamentally review the services it could continue to provide.

12. 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 benchmarking that shows the council is in the top four of unitary councils for being supported by its sales, fees, charges, trading accounts, interest & investment income. Growing our income base was a strategy to sustain services directly linked to reduced government funding through austerity alongside a growing demand and cost base.

13. That said, the position is compounded by the continuing future uncertainty with the possibility of further periods of disruption related to the outbreak in the current and future financial years as well as the less well understood future impact of the pandemic on the cost and demand pressures faced by local authorities such as;

- adult social care-specifically relating to the legacy impact of the hospital discharge programme and the uplift in care costs experienced in 2020/21.
- children's social care, specifically the issue of latent safeguarding demands.
- council tax and business rates yield.

14. These will be exacerbated by what HM 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. The impact of the pandemic on the country's public finances and in turn its fiscal sustainability can be shown by provisional estimates that indicate the government borrowed £188.6 billion more between April and November 2020 compared to the same period in 2019 with public sector debt increasing by just over £300 billion in the first eight months of the 2020/21 financial year. At the end of November 2020, it stood at £2.1 trillion equivalent to 99.5 per cent of UK gross domestic product (GDP) which is the highest debt to GDP ratio since 1962. 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 predicted growth in unemployment. The council will need to challenge itself to determine how the 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 13.1% 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. This is one of the reasons why it is believed that now is the time to bring forward an investment budget as we show the leadership our communities need out of this time of crisis

Impact of Covid-19 on the 2020/21 budget of the Council

15. In February 2020 Council agreed a General Fund 2020/21 net revenue budget of £283 million, and a capital programme of £106 million. Budgets were also agreed for the housing revenue account (HRA).

16. In May 2020 a finance update paper to Cabinet considered the impact of the pandemic on the council's approved 2020/21 budget under several potential scenarios and acting reasonably and responsibly commissioned various workstreams designed to ensure the budget remained in balance.

17. The first 2020/21 budget monitoring report for 2020/21 in June 2020 estimated the impact of the pandemic to be a £52.3 million in-year pressure (net of any specific government grants) reduced to a £30.3 million funding gap once £22.0 million in unringfenced Covid-19 emergency government funding had been taken into account. The report also included the previously commissioned mitigation strategy which could then be implemented to rebalance the budget as the uncertainty around the position lifted. This mitigation strategy included;

    - Reducing expenditure which is not being specifically incurred in support of the pandemic.
    - Utilising the 2020/21 base revenue budget contingency.
    - Bringing forward permanent savings from transformation and service alignment which also ensured progress towards supporting the 2021/22 budget.
    - A fundamental review of all projects (revenue and capital) to determine the extent to which they can be deferred, cancelled or refinanced.
    - Reclassification of earmarked reserves.
    - Reducing unearmarked reserves to below the 5% statutory limit.
    - Deferring, until the drawdown on reserves is no longer needed to balance the 2020/21 position, any uncommitted expenditure from the £1.4 million invested as part of the 2020/21 budget on specific corporate priorities.

18. This approach recognised the extremely high level of uncertainty that existed regarding both the financial impact of the pandemic over the course of the year and the extent of central government support to local councils. It also recognised the difficulty in estimating the scale of income losses so early in the financial year.

19. To support government understanding of the severity of the impact of the pandemic on the council's financial position the council has been submitting detailed returns on a monthly basis to the Ministry of Housing, Communities & Local Government (MHCLG). The eighth return submitted in December 2020 has been incorporated in the quarter three budget monitoring report which sets out the council's 2020/21 current in-year position as detailed in figure 2 below. It should also be highlighted that the council is required to submit regular claims to MHCLG in respect of its losses under the sales, fees and charges compensation scheme.

Figure 2: 2020/21 Latest estimate of the General Fund revenue budget position.

	£ millions
Total estimated pressure (83%) of net £283.1m net budget)	**236.3**
Analysis of total unbudgeted expenditure	
Funding for grant payments to businesses etc.	(145.1)
Ringfenced, specific government grants	(22.9)
Clinical Commission Group (CCG) funded expenditure	(19.2)
Adult Social Care and Public Health services	5.2
Children's services	7.1
Environment and Community services	5.4
Regeneration and Economy services	24.4
Resource services	3.9
Estate management strategy and smarter structures	0.7
100-day plan expenditure	0.4
Investments / central items	2.0
Total Gross Pressures	**49.1**
Unringfenced, government covid19 specific emergency funding	(29.0)
Unringfenced, government compensation sales, fees & charges (estimate)	(13.3)
Furlough claim	(0.8)
Net in-year pressures	**6.0**
Directorate savings	
Employee cost base	(3.3)
Expenditure cost base	(9.5)
Contribution to the Covid-19, MTFP and Transformation mitigation reserves	13.3
Net in-year budget gap	**6.5**
Earmarking of central resources:	
Base revenue budget contingency	(1.2)
Refinancing of the capital programme, review of projects	(2.8)
Refinancing of the capital programme, revenue contribution to capital	(2.5)
Total residual funding gap	**0**

20. Specific government grants have been made available in year including the £11.458 million Department of Health (DoH) Infection Control Grant, £4.0 million Contain Outbreak Management Fund, £1.8 million Public Health Test and Trace grant, £1.1 million Covid19 Winter Grant Scheme, and the £1.9 million housing related Next Steps Accommodation programme grant amongst many others.

21. The £145.1 million business grants references both the mandatory and discretionary grants available in support both the original (£83.9 million) and November to current national lockdowns (£57.8 million) including the discretionary business grants to 31 March 2022, the test and trace support payments (£0.3 million) and the £3.1 million hardship fund designed to support local council tax support claimants.

22. Additional expenditure included in the total gross pressures includes;

Adult Social Care
- Support for the care market
- Providing the care sector with government funded free personal protective clothing
- Hospital discharge programme
- Additional demand in care packages for people with learning disabilities
- Challenges in the delivery of savings assumed in the 2020/21 budget.

Children's Services
- Increase in the number of children coming into care.
- Increased cost of some placements due to needs and complexity.
- High cost placements within the children's health and disability team
- Pressure for secure / remand beds
- Staffing pressures associated with the social work front door special educational needs and disability (SEND), business support teams and interim management positions.

Environment and Community
- Measures to support homelessness.
- Provision of a mortality support facility.
- Increases in the tonnages of waste being collected from domestic properties
- Increased cost for recyclate.
- Reduced sales, fees and charges income associated with trade waste, household waste recycling centre, catering concessions, parks, licensing, and fixed penalty notices.
- Additional town centre security costs.

Regeneration and Economy
- Reduced sales, fees and charges income associated with car parking income, seafront, cultural and heritage assets, planning, and building control
- Additional Investment in the management of the resort (social distancing, additional cleansing, security, and communication).
- Support to leisure and conference providers.

Resources / Central Items
- Reduced sales, fees and charges associated with summonses, land charges, and investment property income.

23. An estimated pressure of £236.3 million, which is more than 83% of the 2020/21 net budget for the year, highlights the huge impact that the Covid-19 public health emergency is having on the council and its financial resources. A clear priority for the council will be the constant vigilant management and oversight of this position to ensure not just the maximum inward investment into the community, but that the grant conditions, necessary returns, reconciliations and assurance processes are adhered to with a view to limiting our financial risk and exposure to potential variations. The cultural of strong and effective financial management which enabled the council to deliver a financial outturn for its first year of operation within the parameters of the original budget for 2019/20, will help support and guide the council through the pandemic.

24. The December 2020 forecast financial outturn indicates that through the continued diligent and careful financial management and due to the comprehensive package of financial support from the government that the June £30.3 million predicted funding gap for 2020/21 has reduced to £6 million which releases approximately £24 million in support of the 2021/22 budget and Medium Term Financial Plan.

Financial Strategy 2021/22

25. The budget and MTFP for 2021/22 should be seen in the context of a rolling, evolving process structured to enable the proactive management and prioritisation of the council's resources.

26. As a new council, setting the budgets in the first two years has been a challenge due to the lack of complete historic data and trend information for the Council as a single entity. For year three, 2021/22, this has now been compounded by the uncertainty around what the new normal and longer-term impacts of Covid-19 will be.

27. At the meetings of the Cabinet on the 27 May 2020, 24 June 2020, 11 November 2020 and 16 December 2020 the councils financial exposure to the pandemic has been explored with prompt action taken to ensure the 2020/21 budget was rebalanced and a financial strategy developed to set out the themes and categories the council would further develop as a means of delivering a robust and lawfully balanced budget for 2021/22. Included in these reports were the budget timetable, key planning assumptions, and details of the savings being assumed.

28. The key dates in the 2021/22 budget setting process can therefore be set out as follows;

27 May 2020	Cabinet (BCP Council Finance Update)
24 June 2020	Cabinet (Budget Monitoring and MTFP Update)
11 November 2020	Cabinet (Quarter 1 and MTFP update)
November 2020	Portfolio Holders presentation of the budget to Cabinet, the Chief Executive and Chief Finance Officer.
16 December 2020	Cabinet (Quarter 2 and MTFP update)
18 December 2020	Budget Café (all councillor presentations)
1 February 2021	Budget to Overview and Scrutiny Board
3 February 2021	Presentation to representatives from Commerce and Industry
10 February 2021	Budget to Cabinet
23 February 2021	Budget to Council

29. The financial strategy approved by Cabinet on 11 November set out the following themes and workstreams for developing the 2021/22 budget;

a) **Influence and lobbying:** to encourage government to continue to meet its commitment that councils will get all the resources they need to cope with the pandemic. This to include consideration of the 2021/22 local government finance settlement following the November 2020 government spending review.

b) **Transformation:** maximising the savings afforded by the £38 million investment in the programme.

c) **Refinancing of the Capital Programme:** release of resources in support of the revenue budget by greater use of borrowing.

d) **Ongoing review:** of normal operating costs, what is referred to a Covid-19 scarring costs, and the potential for savings, efficiencies and additional resources by the portfolio holders, corporate directors, service directors and budget holders.

e) **Review of projects (revenue and capital):** to determine the extent to which schemes and programmes could be deferred, cancelled or refinanced.

f) **Review of inherited resources and provisions**: release of resources in support of the revenue budget with specific reference to historic section106 and community infrastructure levy receipts.

g) **Review of third-party contributions**: towards costs.

h) **Maximising government financial flexibilities** includes taking advantage of the system to allow council tax and business rates tax deficits to be repaid over three years instead of one.

i) **Reserves:** consideration of the extent to which it would be prudent and appropriate to support the 2021/22 by the application of any available reserves.

30. The government's working assumption is that Covid-19 will start to decline from Easter 2021 onwards.

31. Figure 3 below sets out the budget for 2021/22 and Medium-Term Financial Plan (MTFP) to 2024. It should be emphasised that the table shows the incremental changes, positive and negative from the preceding year. It does not show absolute amounts, these are reflected in Appendix 2a. Key features of the 2021/22 budget as presented include;

- £23.9 million investment in the transformation programme revenue costs.
- £13.1 million investment in adult social care services.
- £7.5 million investment in children's services.
- £7 million provision for reduced car parking income, mostly town centre based, recovering by 90% from 2022/23 onwards.
- £6 million provision for reduced sales, fees and charges income (non-car parking related) recovering fully from 2022/23 excluding the service fee from BH Live which is based on a revised fee structure arrangement.
- £6.2 million (net investment) in corporate priorities.
- A £3.5 million provision for the ongoing revenue costs of the transformation programme.
- A £3.6 million base budget revenue contingency. Increased as a one-off for 2021/22 due to the increased level of uncertainty.
- Delivery of £25.2 million as a one-off contribution from the fundamental refinancing of the capital investment programme through borrowing and in doing so better matching the cost with the period over which the council anticipates benefitting from the investment.
- £20.6 million of ongoing savings and efficiencies including the assumption of £7.5 million from the transformation programme.
- Delivery of £4.7 million as a one-off contribution from the fundamental review of inherited section s106 and community infrastructure levy resources as agreed by Council in January 2021.
- Recognising numerous unringfenced grants being made available from the government as part of their fundamental package of support to assist local authorities address the implications of the public health emergency.

- A 1.55% council tax increase from the average for 2020/21, harmonisation of council tax from 1 April 2021 and recognition of reduced council tax yield as evidenced by the reduced tax base agreed by Cabinet in January 2021.
- Recognition of reduced business rate yield / income.

Figure 3: General Fund - Budget 2021/22 and MTFP 2021 to 2024

20/21 £m	Additional Investment into Services	21/22 £m	22/23 £m	23/24 £m	Total £m
11.0	Adult social care inc public health	13.0	10.1	10.6	**33.7**
3.0	Children's services	7.5	2.4	2.2	**12.1**
3.2	Environment and communities	3.3	1.7	0.4	**5.4**
2.0	Regeneration and economy	13.8	(10.2)	(0.4)	**3.2**
0.8	Resource services	1.6	(0.2)	0.2	**1.6**
3.9	Contingency - pay award	1.8	3.1	3.1	**8.0**
1.1	Core government funding changes	0.0	2.1	0.8	**2.9**
0.0	Transformation programme costs including borrowing	23.9	(15.9)	(5.3)	**2.7**
0.0	Transformation - ongoing revenue costs	3.5	0.5	0.5	**4.5**
(0.5)	Minimum revenue provision & interest payable	1.7	0.7	0.3	**2.7**
1.4	Corporate priorities	4.8	(2.0)	0.0	**2.8**
1.2	Investment related to the high needs deficit	(1.2)	0.0	0.0	**(1.2)**
1.1	Revenue contribution to capital	(2.8)	0.0	0.0	**(2.8)**
(1.7)	Pension fund – tri-annual revaluation impact	0.0	0.0	0.2	**0.2**
(1.3)	Contingency	2.4	(1.6)	0.0	**0.8**
25.2	**Total Additional Investment into Services**	**73.3**	**(9.3)**	**12.6**	**76.6**
	Cumulative Investment into Services	**73.3**	**64.0**	**76.6**	

20/21 £m	Additional Resources	21/22 £m	22/23 £m	23/24 £m	Total £m
(7.7)	Council tax – income	2.5	(14.3)	(6.6)	**(18.4)**
(1.0)	Business rates income	1.7	0.0	0.0	**1.7**
(1.2)	Collection fund – (surplus) / deficit distribution net of S31 grant	4.2	0.7	0.0	**4.9**
0.8	Use of reserves	0.0	(2.1)	2.1	**0.0**
0.0	NNDR 75% loss grant through reserves	(0.6)	0.0	0.0	**(0.6)**
0.0	Council tax 75% loss grant through reserves	(0.4)	0.0	0.0	**(0.4)**
0.0	Local council tax support scheme grant 2021/22	(3.8)	3.8	0.0	**0.0**
0.0	Sales, fees and charges compensation 2021/22	(1.7)	1.7	0.0	**0.0**
0.0	Top slice covid pressures grant 2021/22	(1.1)	1.1	0.0	**0.0**
(6.7)	Social care funding	0.0	0.0	0.0	**0.0**
0.0	Investment income	0.1	0.0	0.0	**0.1**
0.0	Refinancing of capital programme	(25.2)	25.2	0.0	**0.0**
0.0	Review of inherited resources	(4.7)	4.7	0.0	**0.0**
0.0	Transformation savings	(7.5)	(17.5)	(17.4)	**(42.4)**
0.0	Transformation programme funding - capital receipts / reserves	(23.6)	23.6	0.0	**0.0**
(9.4)	Service based savings	(13.2)	(0.6)	(0.2)	**(14.0)**
(25.2)	**Total annual extra resource & savings**	**(73.3)**	**26.3**	**(22.1)**	**(69.1)**
	Cumulative extra resources & savings	**(73.3)**	**(47.0)**	**(69.1)**	

Annual – Net Funding Gap	**0.0**	**17.0**	**(9.5)**	**7.5**
Cumulative MTFP – Net Funding Gap	**0.0**	**17.0**	**7.5**	

32. Based on the assumptions within the MTFP, and based on the recovery of the majority of the councils sales, fees and charges income streams from the 1 April 2022, the Council will need to identify a further £17 million to balance the 2022/23 budget but this drops to a cumulative deficit of £7.5 million for 2023/24 as the Council moves to a net surplus position expected through transformation delivery.

33. The 2022/23 position is therefore net of the delivery of £38.7 million in savings and efficiencies of which £25 million is transformation related and £13.7 million service based. Therefore, the intention is to underpin the 2022/23 funding gap by the consideration of two new financial resilience earmarked reserves. A £9.9 million Covid-19 mitigation (matching the tranche 5 Covid19 grant allocation from government) and a £12.9 million Transformation Mitigation reserve. The strategy assumes that the strong and effective financial management culture of the council can protect these reserves in support of the current funding gap for 2022/23. This will be achieved by generating capital receipts above the £13.8 million currently underpinning the transformation programme as set out later in the report.

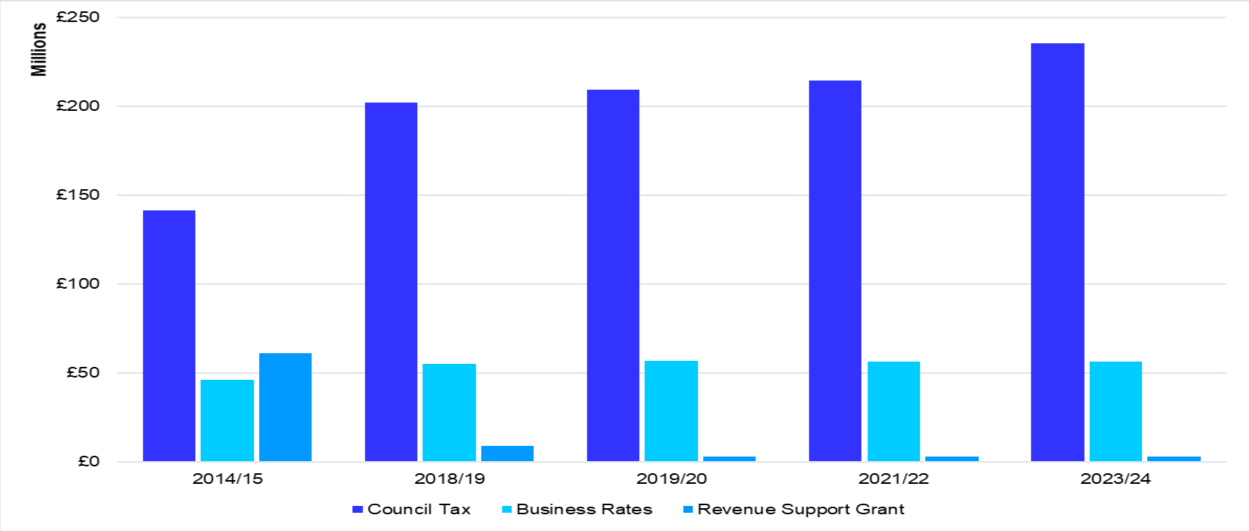
34. The proposed 2021/22 budget and MTFP as presented is based on several key assumptions that although they have been informed by numerous factors such as government announcements, economic forecasts, and trend analysis, are also based on professional judgement. They can be listed as follows;

35. **Government funding** (including new homes bonus)

BCP Council received £3 million in revenue support grant (RSG) from the government in 2020/21. This RSG is unringfenced meaning it can be used to finance revenue expenditure on any council service. RSG is confirmed annually as part of the local government finance settlement with the £3 million allocation for 2020/21 driven by the characteristics and activity of the Bournemouth area.

The council's finances remain under immense pressure including cost increases through such factors as the living wage (8.5% over the last two financial years 2020/21 and 2021/22) as well as the relentless increase in demand for council services, particularly those related to vulnerable adults and children. As a result, by 2024 apart from certain specific service grants the council will be reliant on the money and other income (net of fees, charges and asset purchase strategy income) it raises locally to pay for most local services, be that Council Tax or the amount of local business rates it is permitted to retain. As a council our unringfenced funding is highly geared (weighted) towards Council Tax but this will be only one ingredient along with others such as cost pressures, demand management, efficiency and revenue creation which will influence the future financial sustainability of the council. Figure 4 below highlights the anticipated changing pattern of council funding.

Figure 4: Changing pattern of council funding



36. Local Government Finance Settlement and Spending Review 2020 (SR20)

On the 25 November the Chancellor announced a one-year spending review which set out government's revenue and capital plans for the various government departments for 2021/22. Originally it had been hoped that the review would set out the government's plans for the remaining life of this parliament and in doing so provide the council with the level of certainty that it needs to conduct effective long-term financial planning. A one-year settlement was understandable in the circumstance, even if it does subject us to further periods of uncertainty in being able to plan how to provide the local services upon which our local community relies.

The 2020 spending review was focused on three areas, namely;

1. Providing departments with the certainty they need to tackle Covid-19 and deliver a plan for jobs to support employment.
2. Giving vital public services enhanced support to continue to fight against the virus alongside delivering first class frontline services.
3. Investing in infrastructure to deliver ambitious plans to unite and level up the different areas of the country, drive economic recovery and build back better.

As part of the review the government made several key announcements which are relevant to local government and the council's budget for 2021/22. Principal amongst which was the government's strategy that unitary councils may increase their council tax for 2021/22 by 4.99% made up of a basic annual referendum threshold of 1.99% plus 3% for a social care precept. The government continues to promote council tax increases via the social care precept as the main additional funding mechanism for social care. Subsequent clarification emphasised that the 3% social care precept can be spread over the two financial years 2021/22 and 2022/23.

A known risk BCP Council has held for some time is that 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

Government's stated intention was to remove these resources which would have meant the council 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 the previous two years, 2019/20 and 2020/21, to avoid negative RSG impacting on the council. As part of SR20 the government confirmed that negative RSG will also not be implemented in next year 2021/22.

In addition, the government also announced that the existing new homes bonus (NHB) scheme will be extended for a further year with no new legacy payments. NHB 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% baseline, with the value based on the average national council tax level. The previous 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. The 2020 government spending review adopted the same stance with them making a one-off allocation for 2021/22 that does not result in any legacy payments.

Figure 5: Profile of New Homes Bonus payments

Year Payment	2019/20	2020/21	2021/22	2022/23	2023/24
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			
2021/22			£834,836		
Total Payment	**£3,788,154**	**£2,647,837**	**£2,562,848**	**£846,339**	**£ nil**

Initially as part of the spending review and then later as part of the local government finance settlement received on 17 December 2020, the government set out further details of their comprehensive package of support designed to assist council in addressing the impact of the public health emergency and honour the government's commitment to provide councils with all the support necessary to cope with the pandemic. This included the following;

a) Rephasing of collection fund deficits.

b) Compensation towards local tax losses.

c) Compensation towards the impact of increasing council tax support scheme claimants.

d) Extension of the current sales, fees and charges compensation scheme into the first three months of 2021/22.

e) Tranche 5 Covid19 grant to specifically cover cost pressures caused by the pandemic in the first few months of 2021/22.

37. Rephasing of Collection Fund Deficits

On 5 November 2020 the Government laid before Parliament the Local Authority (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 which gave effect to the three-year phasing of local tax deficits as originally considered in the Governments July 2020 comprehensive plan to support local authorities through the pandemic.

These regulations mean that council tax and national non-domestic rates deficits arising in the 2020/21 financial year are now required to be spread evenly over the three years 2021/22 to 2023/24. The Council cannot opt out of this deficit phasing or adopt a different repayment profile. This provision does not however include any surplus or deficit carried forward from 2019/20 into 2020/21 which will need to be distributed in the normal way.

The actual amount to be rephased is £10.568 million based on an estimate using the Government's methodology in January 2021. As this pressure, as a matter of prudence, was previously recognised as part of the 2020/21 forecast outturn its rephasing releases £11.9 million to support the creation of the Covid-19 and transformation mitigation reserves.

38. Compensation towards local tax losses.

In addition to this rephasing the government have also introduced a local tax income guarantee scheme for 2020/21. This scheme sets out that local authorities will be compensated for 75% of irrecoverable 2020/21 losses in council tax and business rates income.

For council tax, losses in scope will be measured through a comparison of each authority's 2020/21 original council tax requirement against the actual net collectable debit for the year. This loss might be for example due to an increase in local council tax support costs or unachieved council tax base growth. The government expects billing authorities to continue appropriate collection and enforcement action for outstanding council tax debt, in the usual way.

For business rates, losses will be measured through a comparison of income as calculated in the National Non-Domestic Rates ('NNDR') statistical collection forms 1 (estimate) and 3 (actual) for the year. Estimates of this position have had to be calculated as the actual position will not be known until after the financial year end.

Government do not expect to be able to make these grant payments until January 2022 at the earliest.

The compensation funding is calculated as £1.8 million for business rates and £1.3 million for council tax, and the MTFP phases this income across the three years in which the council must spread the collection fund deficits.

39. Compensation towards the impact of increasing council tax support scheme claimants

On 18 December 2020 the government announced a £3.8 million allocation to BCP Council in 2021/22 as part of a £670 million national allocation to help authorities meet the additional costs associated with increases in local council tax support scheme (LCTSS) caseloads in 2021/22. The increase in the costs of the LCTSS is considered directly linked to higher levels of unemployment.

This is different from the 2020/21 hardship fund, see section 51 below, as it is being distributed to all major preceptors including police and fire authorities to help them manage the impact on their taxbase of the LCTSS set by the relevant billing authorities. The hardship scheme was a scheme introduced specific to billing authorities to enable them to provide direct support to claimants in 2020/21.

The taxbase report to Cabinet in January 2021 set out that the costs of the local council tax support scheme had increased by £3.4 million between years or a 13.1% increase and reflects a 13.5% increase in the cost of working age claimants. This is the principle reason why the council's taxbase reduced between 2020/21 and 2021/22 by 2.7%.

The taxbase is the number of band D equivalent properties after adjustments for the number of claimants entitled to a discount and after the impact of the LCTSS has been factored in. It is used for calculating the levels of council tax charged to residents.

40. Extension of the current sales, fees and charges compensation (income support) scheme into the first three months of 2021/22.

On 2 July 2020 the government announced a sales, fees and charges compensation scheme for 2020/21. Under this arrangement the council is be able to submit three claims during the 2020/21 financial year relating to losses in sales, fees and charges income that is directly related to the pandemic. The council is required to cover the first 5% of the budgeted amount for these losses, after which the government will compensate for 75% of the remaining loss. The exact amount receivable will not be known until the three payments on account are received and a final reconciliation and verification exercise is carried out by MHCLG after the year end. The December 2020 forecast at the time of writing this report is that the council is looking to reclaim £13.3 million. Based on the first claim BCP Council was claiming the second highest amount, of any local authority in England, behind only Leeds City Council.

As part of SR20 the government announced that it will extend the scheme to cover the first quarter of 2021/22. In so doing they intend to use councils' 2020/21 budgeted income as the baseline from which to assess losses retaining the 5% deductible rate and providing compensation at a rate of 75p in the pound of relevant loses thereafter.

Based on a monthly profile of BCP councils forecast lost sales, fees and charges next year it has been estimated that this claim will be valued at £1.6 million.

41. Tranche 5 Covid-19 grant to specifically cover cost pressures caused by the pandemic in the first few months of 2021/22.

The government is optimistic about overcoming the public health emergency specifically due to the roll out of new vaccines. However, they also recognise that many of the challenges posed by the virus will not go away immediately especially as new strains are identified. Nationally the government expect councils to have unbudgeted cost pressures associated with Covid-19 until the middle of the 2021 calendar year. In support the government have already announced Tranche 5 of their unringfenced grant funding. BCP Council has been awarded £9.9 million from a national allocation of £1.55 billion. The council is expected to use this funding to support costs which have not been included in the 2021/22 budget in respect of the following potential costs.

- Shielding the clinically extremely vulnerable
- Homelessness and rough sleeping
- Domestic abuse
- Managing excess deaths
- Support for re-opening the country
- Public health services

- Adult social care
- Children's services
- Household waste services
- Additional costs associated with the local elections in May 2021.

As these are unbudgeted cost pressures the council is advised not to budget for this grant and instead use it to cover the costs as they begin to transpire in a similar way to that adopted to the application of tranche 1 to 4 grants during 2020/21. That said as £1.030 million has been included in the budget by services for costs for such relevant items as personal protective equipment and emergency homelessness provision then an equivalent sum will be set aside for these costs. The grant allocation is based on a formula that recognises population and deprivation with a cost floor arrangement in place.

Additional investment into services

42. **Investment in adult social care - £13.1 million 2021/22 - 12% gross increase**

The MTFP makes provision for an additional gross £33.8 million investment in adult social care services over the 3-year period to March 2024. This pressure is a combination of;

a) 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.

b) Demographic growth within the learning disability and mental health client group.

c) 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.

d) Increased cost of care and additional resources as a result of the pandemic.

e) Increased cost in respect of people with no recourse to public funds.

On 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 those aged over 25 will reach £10.50 per hour in 2024. The NLW increased from £8.21 to £8.72 in April 2020 (6.2%). The National Living Wage will be increased by 2.2% to £8.91 per hour for 2021/22 and extended to those aged 23 and over.

The NMW remains a key cost driver for the cost of care services and has been factored into the cost pressures increasing 6% per year to reach £10.50 by 2024.

The £1 billion social care grant provided in 2020/21 will be maintained into 2021/22 along with all other social care funding.

New grant funding of £300 million for adult and children's social care will be provided in 2021/22. The allocation to BCP is £1.3 million, split £0.9 million to adult social care and £0.4 million to children's social care.

The MTFP assumes that the government will continue to provide an 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.

The numbers and average cost of care home placements commissioned since the beginning of the pandemic under emergency hospital discharge arrangements have increased significantly during 2020/21. The increases in average costs have been related to market conditions and the intensity of needs of many people who are being placed in residential and nursing care. While there have been specific NHS funding schemes in 2020/21 to cover the costs of some of these placements, there will be a significant longer term impact on the adult social care budget of the costs of care home placements for people who are eligible for social care funding and who have been placed in care homes during the pandemic period. An initial sum of £1.3 million has been included in the MTFP for 2021/22 in recognition of these legacy costs. However, the severity of the pandemic in December 2020 and the initial months of 2021 has placed the highest level of pressure yet seen on the NHS. As a response, the health and care system has commissioned a further extensive range of higher cost beds in the care home sector, and some very high cost community care packages to support timely and safe hospital discharge. It is not possible to project in detail the financial impact of the legacy long-term care costs of the pandemic until all assessment work on people's eligibility for social care has been completed. The national timeframe for completion of assessment for people placed between March and August 2020 is March 2021; and the assessments of eligibility for everyone placed since September 2020 take place within six weeks of the care home placement. It is critical to highlight that there is a high likelihood that the initially budgeted figure of £1.3 million for 2021/22 will be exceeded and costs may also continue into 2022/23. A commitment has therefore been made that legacy care costs of the pandemic which exceed the £1.3 million budget will have a call on the £9.9 million of Covid-19 emergency funding which has been referenced previously in this report.

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. However, the government have set out the intent to provide the detail of these fundamental reforms in due course.

43. Better Care Fund

The fund requires Clinical Commissioning Groups (CCGs) and local authorities to pool budgets and agree integrated spending plans to support more people at home, reduce delays in discharges from hospital and to prevent avoidable hospital admissions.

The 2020/21 Better Care Fund (BCF) allocation is £59.8 million. The Dorset CCG is contributing approximately £40.8 million of which £10.5 million is passed to the BCP Council to support the delivery of adult social care services that also benefits health services.

The BCP Council contribution is £19 million and includes base budget resources (£2.5 million), the disabled facilities grant (£3.5 million), the improved better care fund (iBCF) (£13 million), which includes the previously separate winter pressures money.

In the November 2020 spending round, the government reiterated its commitment to the integration of health and social care. In support they confirmed that the BCF and (iBCF) would continue into 2021/22. They also announced that the NHS contribution to adult social care through the BCF will increase in the region of 5.5%, therefore the 2021/22 budget assumes an extra BCF allocation to BCP Council of £632,000 which will be applied to fund the government requirement of extended hours and 7 day working to support the discharge to assess programme (introduced as a result of the pandemic) as well as contributing to the ongoing increased cost of residential placements.

44. **Investment in children's services (including social care) - £7.5 million 2021/22 - 12% gross increase**

The MTFP makes provision for an additional net £12.1 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 but the placement costs of new children coming into care are often more expensive than those of children and young people who leave care (for instance as they turn 18); and the costs of children who remain in care beyond 18 is high.
    - 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, including those children vulnerable to Child Sexual Exploitation
    - a high cost placement within the CHAD team (children with health & disability). The cost of this placement has decreased considerably from the cost in 2020/21 due to the new agreement with health on the split of costs between health and social care.

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 to establish a fully functioning quality assurance team and complex safeguarding team to manage the 16+ cohort as mentioned above.

4. additional investment to support the recently agreed recruitment and retention strategy for children's services to provide stability in the social worker workforce and to reduce reliance on costly agency social work staff.

5. additional investment in specific post Ofsted activities around rapid improvement.

45. Investment in Environment and Communities - £3.4 million 2021/22 - 7% gross increase

The proposed budget for 2021/22 makes provision for £3.4 million additional investment into environment and communities.

Ongoing pressures from 2010/21 predominately relate to the disposal of waste, both residual and recycling. Waste collection and disposal services cost the council in the region of £28 million and generate £6 million income, with a significant portion of the budget relating to disposal through third parties.

Until recent years, recycling generated income for the council but now costs rise annually from approximately £35 per tonne two years ago to now in the region of £60 per tonne. The market is proving to be volatile in an unprecedented way, partly related to the Covid-19 pandemic. Budget growth of £0.3 million is included for price increase as well as higher tonnage collected, which is running at about 5% higher than the previous twelve months, possibly as more people are working from home.

Budget provision has also been made for re-tendering contracts for the disposal of organic and residual waste (£0.3 million) and to reduce unachievable income targets (0.3 million). Additional costs related to Port of Poole as a result of the UK transition from the European Union are expected to be met from additional income and government grant.

There is some ongoing pandemic impact expected in reduced income streams (£0.4 million) plus significant pressure from homelessness, with extra costs of £0.4 million provided. It has been assumed that the service will have continued success in bidding to government to maintain services due to the announced £254 million of additional resource to tackle homelessness and rough sleeping in 2021/22. This is a 60%cash increase compared to SR19, to bolster vital accommodation, substance misuse and frontline support services

46. **Investment in Regeneration and Economy - £13.8 million 2020/21 - 205% gross increase**

An amount of £13.8 million has been set aside 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 £12.4 million are forecast. The key areas affected are car parking (£7.0 million), seafront trading operations (£1.8 million), cultural, heritage and leisure assets (£2.4 million) and property (£1.2 million). Some of these pressures can be mitigated in the first quarter from the continuation of the government grant scheme for lost sales fees and charges with this budget held centrally.

The impact of inflation and demand growth (including PFI contracts, rates, social care transportation and utilities), pension and pay award increases has led to pressures of £0.8 million.

Regeneration schemes being delivered via the Bournemouth Development Company (BDC) necessitate temporary closure of car parks during the construction phase with the resultant pressures of £0.6 million being included.

The cost of these investments has been partly supported by a one-off benefit to beach hut licence fee income (£0.5 million), the introduction of new car parking zones (£0.2 million) plus some smaller cost savings and underlying income improvements (£0.1 million).

47. **Pay award**

Local government agreed pay awards for 2018/19, 2019/20 and 2020/21 were 2%, 2% and 2.75% 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 % increase which reflected the strong wage inflation during the previous twelve months.

The MTFP makes no provision for a pay increase in 2021/22. This position reflects the recent 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 position also accords with the announcement by the Chancellor of a public sector pay freeze as part of his November 2020 spending review in which he emphasised that in order to protect jobs and ensure fairness, pay rises in the public sector will be restrained and targeted in 2021/22. That said, it should be borne in mind that this has no formal bearing on the decisions around any annual local government pay increase as these are developed through negotiations with the trade unions.

The base revenue budget contingency considers the risk associated with this assumption and specifically the likelihood of a £250 increase for employees earning less than £24,000 which was also a feature of the spending review.

In addition, budgetary provision is made for between 95% and 98% 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 January 2022.

48. **Pension Fund**

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 6: 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%. 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 consequences of the pandemic as any impact will be deferred 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 7: 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.

49. **Exit payment cap and redundancy costs**

Following the Government's consultation in April 2019, the Restriction of Public Exit Payments Regulations 2020 came into force on 4 November 2020. This limits the value of exit payments, resulting from redundancy or efficiency of the service retirements for members over the age of 55, made by the council to £95,000. However this new legislation is now in conflict with the Local Government Pension Scheme (LGPS) regulations which currently require the immediate payment of an unreduced pension for any member leaving their employment on the grounds of redundancy or efficiency of the service and who is aged 55 or over. This conflict only occurs where the £95,000 cap is breached. The largest, and most common payments to be included in the cap are the redundancy/pension strain payments.

This places the council in a difficult position in respect of any redundancies between 4 November 2020 and the date upon which the LGPS regulations are amended, which is currently unknown.

As the council’s average redundancy cost per full time equivalent since its inception is £48,284, excluding tier 1 to tier 3 officers, then in all likelihood this conflict in regulations is unlikely to have any significant impact on the value of any budgeted provisions for redundancy costs associated with both non-transformation and transformation saving programmes. Recently further guidance has been issued to clarify that employer national insurance costs are ignored for the purposes of calculating the cap.

In consideration of the need for an appropriate provision for redundancy costs consideration has been given to the approach of advancing the profile of savings in respect of the transformation programme and the need to make further provision for staff exit costs over and above the £6 million provided as part of the original programme budget. This includes approximately £1.3 million needed to cover the 26.5 full time equivalent posts that it is already known will be removed from the establishment as part of the £19.1 million of total savings and efficiencies proposals underpinning the 2021/22 budget.

To that effect provision has been made as both part of the transformation programme for a further £12.9 million in redundancy costs across 2020/21 and 2021/22. This provision is being funded in the first instance by a transformation mitigation earmarked reserve although it should be emphasised that the preference is to fund such costs by utilisation of the government's two year window whereby capital receipts can, via the flexible use of capital receipts policy, be used to fund transformation expenditure. Therefore, capital receipts over and above the £13.8 million already earmarked in support of the transformation programme will be sought. Such an approach will enable the reserve to be used support the 2022/23 base budget of the council.

50. **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 December 2020 was 0.6% as measured by the (CPI) Consumer Price Index (September which is applied to many annual uplifts was 0.5%).

Additional resources, savings, and efficiencies

51. **Adults and children's social care grant**

As part of SR19 the government set out plans to enable local authorities to access £1 billion of new funding by way of an additional adults and children's social grant in 2020/21. This funding being intended to support local authorities meet rising demand and recognises the vital role that social care plays in supporting the most vulnerable in our society.

The technical consultation document issued by MHCLG in October 2019 confirmed an adults and children's social care grant to BCP of £9.6 million in 2020/21 of which £6.6 million was new funding. It also confirmed that this grant would not be ringfenced, and that there will be no conditions or reporting requirements attached or requirements around how much should be spent on either adult or children's social care.

Spending review 2020 confirmed that the 2020/21 allocations would be maintained with a further £300 million of additional adult and children's social care funding was being made available in 2021/22 as noted above. This was lower than expected when calculated according to the usual allocation methodologies as the formula used for distribution recognised the different level of resources that each local authority can raise if they implement the 3 per cent social care council tax precept.

52. **Council tax harmonisation strategy**

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 the 3.99% assumed increase as adjusted for the impact of the precept for Charter Trustees in 2020/21 and an increase in line with the total referendum limit for 2021/22, estimated at the time to be 2.99%.

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.

As part of November 2020 spending review the government announced that the council tax referendum threshold was 4.99% for 2021/22, made up of a 1.99% increase and a 3% adult social care precept. Such a move was consistent with the strategic approach taken by government in its 2015 spending review, and 2019 spending round 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.

The 2021/22 local government finance settlement confirmed that some or all the 3 per cent adult social care precept can be deferred to 2022/23.

In proposing this budget, the administration has had to weigh up carefully the fact that as a council our unringfenced funding is heavily weighted towards Council Tax (76% in 2020/21) and therefore such increases undoubtably support our future financial sustainability and the services vital to our local community. However, this must be considered against its affordability to the local taxpayer. The changes being proposed in each town for 2022/23 are set out as follows in figure 8 below;

Figure 8: Proposed council tax harmonisation strategy

2020/21 Financial Year

- **Poole and Bournemouth = 2019/20 charges plus 3.99%, as adjusted for the impact of the Charter 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

- **Calculate average council tax for 2020/21 being the total yield** (£217.075 million) **divided by the total tax base** (£142,995.70) **which equates to £1,518.05**
- **Increase £1,518 05 by 1.55% to £1,541.57**
- **£1,541.57 was the council tax charge proposed in the 2020/21 budget report**

Harmonised Council Tax achieved in 2021/22

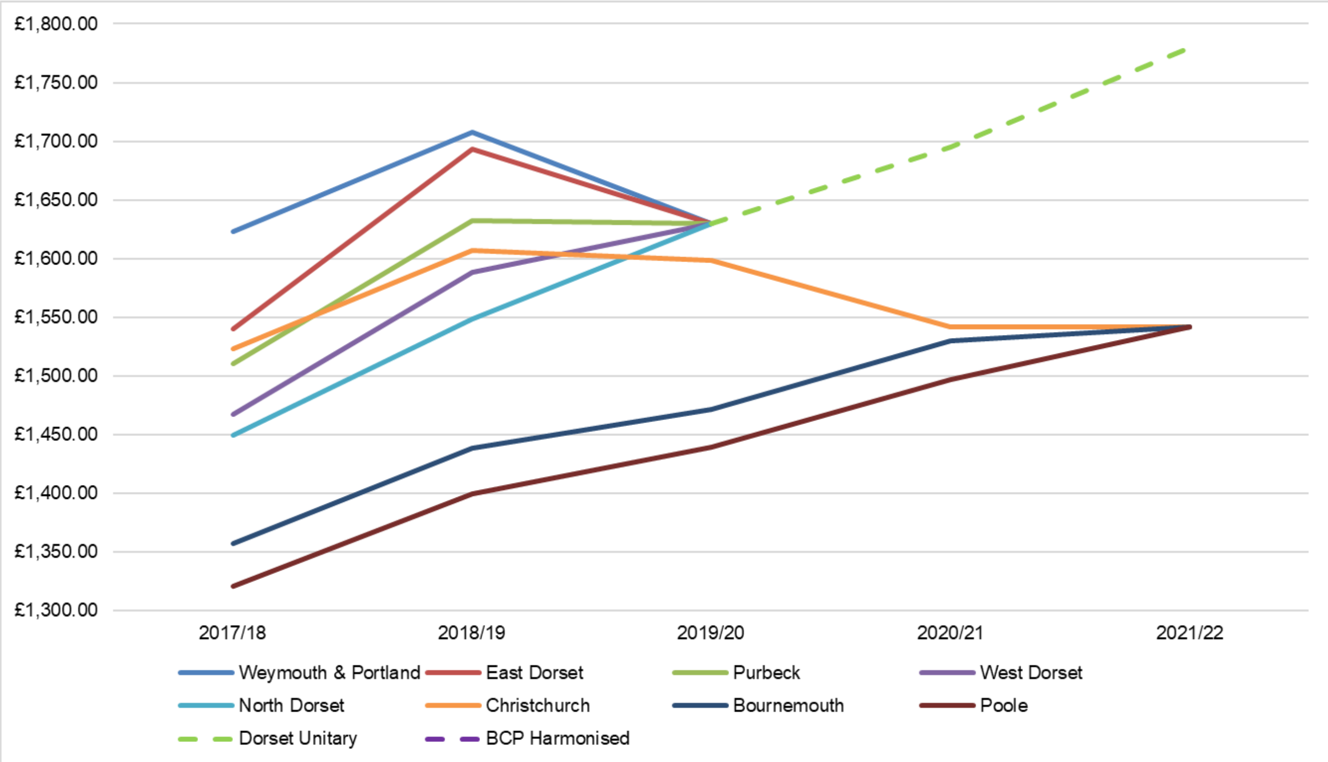
	2019/20	2020/21	*Increase*	2021/22	*Increase*
Christchurch	1,598.30	1,541.57	*-3.55%*	1,541.57	*frozen*
Bournemouth	1,473.40	1,530.00	*3.84%*	1,541.57	*0.76%*
Poole	1,441.53	1,496.81	*3.83%*	1,541.57	*2.99%*

- Please note the above table excludes the impact of the separate Charter Trustee council tax charge in Poole and Bournemouth which was applied from 2019/20 onwards and potential adjustment to the Bournemouth area council tax arising from the establishment of the Throop and Holdenhurst parish on 1 April 2021.

- This harmonisation approach provides the opportunity to defer the 3% adult social care precept from 2021/22 into 2022/23. The assumption therefore used for financial planning purposes and to produce the MTFP is that council tax will increase by 4.99% in 2022/23 (1.99% core plus 3% social care precept) and 1.99% in 2023/24 (1.99% core increase only).

The below table below sets out a comparison of the historic and 2021/22 council tax levels in Dorset, assuming that Dorset Council increases their 2021/22 council tax by 4.99% as previously indicated.

Figure 9: Dorset Councils – Historic and Projected Council Tax Levels



53. Alternative council tax strategies considered and rejected

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). Each year the differential between the highest and lowest is required to reduce.
2. harmonising at the average council tax across the area in any year prior to 2026/27.

These regulations also permitted 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.

This means that for 2021/22 BCP Council could set a £1,593.80 harmonised band D rate of council tax which is the £1,518.05 average for 2020/21 council tax plus 4.99%.

The proposal which underpins the proposed 2021/22 budget is consistent with the second of the options with the annual increase restricted to 1.55% which produces a harmonised rate of council tax for 2021/22 of £1,541.57. This is the absolute amount assumed in the 2020/21 budget report for the 2021/22 financial year.

At this stage, other than the ability to defer the 2021/22 adult social care precept into 2022/23, the government have made no announcement of any future adult social care precepts.

There are numerous permutations available to the council within parameters of the Dorset local government reorganisation regulations in respect of the council tax level which could be proposed for 2021/22. By way of an example two that have been considered and rejected;

A. Average basis, as assumed in the proposed budget, but with a 4.99% increase instead of the 1.55%. This would create a harmonised rate of council tax for 2021/22 of £1,593.80.

B. Defer harmonisation until 2022/23
This would mean a 2021/22 Council Tax based on a 4.99% increase in both Bournemouth and Poole. The Christchurch council would increase by 4.98% to ensure the resultant differential between the highest and lowest rates is reduced.

Compared to the proposal underpinning the budget as set out, both option A and option B would generate approximately £7.3 million more in revenue in 2021/22. These approaches have been rejected on the basis that;

- Option A would mean residents in all predecessor areas facing larger increases in their bills. Poole's council tax would increase by 6.5% in 2021/22 which would be a 1.5 % increase above the level the government deem to be excessive (the 5% referendum threshold).
- Option B would mean residents being concerned they are effectively contributing more to the cost of the council services than others in the area for a period considered excessive by the current administration. Harmonisation under this option would be achieved in 2022/23 by the fourth year of the new council which is an additional year beyond that currently being assumed for financial planning purposes.

It may worth highlighting that a 1% change in council tax will change the council's revenue funding (in either direction) by approximately £2.1 million per annum.

54. **2021/22 Local Council Tax Support scheme (LCTSS)**

Cabinet in December 2020 agreed there would be no change to the local council tax support scheme between 2020/21 and 2021/22.

As part of the government's response to Covid19 BCP Council were allocated £3.1 million to support economically vulnerable working age people and households in their area for 2020/21. The expectation was that most of these funds would be used to provide council tax relief alongside existing local council tax support schemes (LCTSS) using discretionary powers under s13A of the Local Government Finance Act 1992. The strong expectation was that councils would provide working age LCTSS recipients with a further reduction in their 2020/21 annual council bill of £150. Where a taxpayer's liability for 2020/21 is following the application of council tax support, less than £150, then their liability is reduced to nil. This included the new LCTSS accounts resulting from the 13.1% increase in the cost associated with working age claimants since March 2020.

Expenditure for 2020/21 is currently forecast to be £2.3 million which is not as high as originally intended presumably because of the extension of the HMRC Covid-19 furlough support scheme.

On this basis the council's corporate incident management team agreed on the 18 January 2021 to allocate the remaining £830,000 by way of a higher level of council tax reduction for 2020/21 for those working age LCTSS recipients whose annual liability exceeds £200 which was a further £50 in hardship support.

55. **Business rates**

Our current financial planning assumption is that the council will retain £56.4 million in business rates for 2021/22, excluding the impact of prior year surplus and deficits. This represents a reduction of £1.7 million compared to the 2020/21 budgeted amount. This is based on the NDR1 statistical return that is submitted to the government in January 2021.

Based on the NDR1 return, the net collectable business rates for the BCP Council area are consistent with last year at £134.9 million (£135.0 million for 2020/21). However, the net collectable business rate figure for 2020/21 included retail relief of £5.8 million which was funded through additional S31 grant. This relief is not replicated for 2021/22 and so while the net collectable debits are comparable between years, the 2021/22 figure includes reductions to the tax base that will not be compensated. For example, gross rateable values for the BCP Council area are reduced by £1.8 million and the council will also receive £2.1 million less in S31 grants, largely due to the reduction in retail relief.

Within the NDR1 return provision has been made for further losses in business rate income from the effects of the pandemic, including a continued decline in the number of businesses, losses in collection rates and appeals for reduced rateable values by businesses.

At this stage the risk associated with this forecast cannot be underestimated. The legacy impact of Covid-19 on the business rates resources collected by the council will not be fully understood until the response phase has passed and we move into the recovery stage of the global pandemic.

It should be borne in mind that under the government's formula the council is initially allocated 49%, the government 50%, and the fire authority 1% of such resources. However due to the impact of issues such as appeals the council budget to retain 42% or £56.4 million of the total business rates collectable in 2021/22.

One such risk is that on the 22 December 2020 the Valuation Office Agency (VOA) set out details of a discussion they have had with rating agents concerning challenges to rateable value on the grounds of material changes of circumstances due to the Covid-19 pandemic and potentially for a 25 per cent reduction in rateable value for premises such as offices. We understand that the VOA are working to resolve these cases as quickly and efficiently as they can and will share details of any impact on the gross collectable business rates as quickly as possible.

Councillors may also recall that local government funding reforms were planned for introduction from April 2021 (i.e. Fair Funding, 75% Business Rates Retention and the full reset of the business rates baseline). These fundamental changes have been delayed, as a consequence of the government focusing its resources on other more pressing priorities. However, as part of the 2021/22 provisional local government finance settlement the Minister highlighted there may be an opportunity to bring these reforms forward next year and that the position would be reviewed with the Treasury.

56. **Assumed savings and efficiencies**

Figure 10 below identifies that £20.6 million in additional savings and efficiencies have been identified in establishing the budget for 2021/22. These savings generally flow from reduced staffing, reduced operational costs, or from creating common and consistent charging policies following the creation of the new council as part of the review of local government in Dorset. They also include £7.5m in assumed savings from the transformation programme.

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. A detailed schedule of these assumed savings is presented as appendix 2b. Most of these savings will have been subject to the consideration of the Overview and Scrutiny Board at its meeting on the 1 February 2021.

Figure 10 below sets out an analysis of the £41.2 million service-based savings and efficiencies for 2019/20 (£11.2 million), 2020/21 (£9.4 million) and 2021/22 (£20.6m);

Figure 10: 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)	(1.8)	**(10.0)**
Transformation		(1.0)	(7.8)	**(8.8)**
Democratic Representation	(0.5)			**(0.5)**
External Audit	(0.2)			**(0.2)**
Service Efficiencies				
Adult Social Care	(2.0)	(2.0)	(5.8)	**(9.8)**
Children Services	(0.2)	(0.1)	(0.7)	**(1.0)**
Place Theme	(0.7)			**(0.7)**
Regeneration & Economy		(0.5)	(0.0)	**(0.5)**
Environment & Communities		(0.2)	(1.7)	**(1.9)**
Resources	(0.7)	(0.3)	(0.8)	**(1.8)**
Commercial Opportunities	(0.7)	(0.3)		**(1.0)**
Fees and Charges	(0.9)	(2.1)	(2.1)	**(5.1)**
Total	**(11.2)**	**(9.4)**	**(20.6)**	**(41.2)**

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.

Transformation funding strategy - Flexible use of capital receipts – efficiency statement

57. In a Local Government Reorganisation (LGR) update report to Cabinet in July 2019 it was acknowledged that phase one (creating BCP Council) had been completed and phase two (delivering senior staffing structures and business functionality for April 2019) was materially complete. In support of these phases the predecessor councils and BCP Council itself set aside £9.1 million to fund the associated programme and transition costs which have now been fully committed. These costs supported the Council in delivering the £20.6 million of annual service-based savings included in the BCP revenue budgets for 2019/20 and 2020/21 which were additional to the £1.3 million of additional resources identified on the disaggregation of the Dorset County Council 2018/19 budget.

58. Phase three related to the designing and building of the new local authority by taking the opportunity to fundamentally transform and provide improved services to residents while also identifying and releasing savings and efficiencies.

59. As part of SR15, the government announced that to support local authorities to deliver more efficient and sustainable services it would allow local authorities to spend up to 100 per cent of their fixed asset receipts on the revenue costs of service reform and transformation. Guidance on the use of this flexibility stipulated that the flexibility applied to the three financial years to end March 2019. However, this was extended for a further three years to 31 March 2022 as part of the 2018/19 local government finance settlement.

60. The guidance makes it clear that local authorities cannot borrow to finance the revenue costs of service reforms. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years the flexibility is offered. Local authorities may not use any existing stock of capital receipts to finance the revenue costs of reforming their services. Set up and implementation costs of any new processes or arrangements that will generate future ongoing savings and/or transform service delivery to reduce or improve the quality of service delivery in future years can be classified as qualifying expenditure. The ongoing revenue costs of such processes or arrangements cannot be classified as qualifying expenditure. In addition, the guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specifies that;

    - The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.
    - In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice

61. 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. It should be highlighted that these savings will impact on the council including both General Fund and Housing Revenue Account (HRA) services.

62. Council on 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 also approved the procurement of a strategy partner, approved oversight of the programme by a Cabinet Working Group as part of the governance arrangements and set out that the £43.9 million must now be adopted as our minimum expectation of savings and efficiencies.

63. This 2021/22 budget report is premised on the council delivering £7.5 million in savings to underpin the budget for the 2021/22 with additional savings of £34.9 million over the following two years. The 2021/22 savings from the transformation programme are 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 stationery, photocopying and printing.
- 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 recruitment / appointment of a new corporate director for marketing, communications & strategy
- The Councils estate and accommodation project.

It should be highlighted that at this stage these savings have not been itemised on a line by line basis. However, this is a key priority work stream for the council with significant activity providing reassurance that £7.5 million is achievable with a significant reduction in head count from the 1 October 2021 onwards. Direct assurance has also been received from the corporate management team on the validity of this assumption.

64. The current profile of expenditure within the transformation programme and the associated funding strategy are set out in Figure 11 below. This excludes the £3.5 million additional annual revenue operating costs required as a result of this investment and the borrowing costs associated with the financing of the capital elements of the programme. These revenue costs relate to new transformative operating systems and their licencing costs and will include the recent investment in Microsoft teams.

Figure 11: Transformation spend profile and funding strategy

	Transformation Programme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	£m
Capital Spend	Expenditure						
	Capital expenditure	2.06	2.74	1.00	0.00	0.00	5.80
		2.06	2.74	1.00	0.00	0.00	**5.80**
	Funding						
	Prudential Borrowing (funded from General Fund MRP)	(0.81)	(1.54)	(1.00)	0.00	0.00	(3.35)
	Prudential Borrowing (funded from HRA land tfr)	(1.25)	(1.20)	0.00	0.00	0.00	(2.45)
		(2.06)	(2.74)	(1.00)	0.00	0.00	**(5.80)**
Revenue Spend	Expenditure						
	One-off costs	1.84	10.32	7.08	2.45	1.35	23.04
	Original redundancy costs reprofiled	0.00	6.00	0.00	0.00	0.00	6.00
	Additional redundancy cost provision	1.28	5.62	0.00	0.00	0.00	6.90
	Contingency	0.00	1.65	0.69	0.00	0.44	2.78
		3.12	23.59	7.77	2.45	1.79	**38.72**
	Funding						
	Base Revenue funding for Transformation Agenda	0.00	0.00	(7.77)	(2.45)	(1.79)	(12.01)
	New Transformation Mitigation Reserve	0.00	(12.90)	0.00	0.00	0.00	(12.90)
	Temporary Funding	(2.44)	2.44	0.00	0.00	0.00	0.00
	Capital Receipts	(0.68)	(13.13)	0.00	0.00	0.00	(13.81)
		(3.12)	(23.59)	(7.77)	(2.45)	(1.79)	**(38.72)**
Total	**Total expenditure**	**5.18**	**26.33**	**8.77**	**2.45**	**1.79**	**44.52**
	Total funding	**(5.18)**	**(26.33)**	**(8.77)**	**(2.45)**	**(1.79)**	**(44.52)**

65. Therefore, the proposal is that the council under the flexible use of capital receipts approach uses all such resources generated in both 2020/21 and 2021/22 to support its investment in transformation. This includes the receipts generated from the following listed asset sales;

- Southbourne Crossroads surface car park
- Wessex Fields net of the necessary debt repayments
- Former depot site, Cambridge Road
- Waitrose car park (Christchurch)
- Former private car park, Upper Terrace Road
- Bargates site (corner of Barrack Road and Fairmile)
- Thistle hotel lease restructure
- BCP Councils share of Dorset County Council assets held for sale
- Former caretakers' accommodation

At this stage the estimated value of the above capital receipts in 2021/22 is £13.8 million with, as set out figure 11, the residual funding provided by the application of the transformation mitigation reserve. This assumption has been made based on prudent financial management, and the ambition is to generate significant receipts over and above the £13.8 million which will enable this reserve to be carried forward in support of the revenue funding gap in 2022/23.

The council will consider a range of options to ensure delivery of these capital receipts before the 31 March 2022 deadline. In doing so the Council will not be limited to traditional open market sales as consideration will also be given to disposal via current council owned companies and new property companies within the council's ownership or via joint ventures.

66. Ultimately the value and timing of the resources generated will impact on the scale and scheduling of the organisation's transformation as influenced by the work with the strategic partner.

67. The guidance requires the approach is approved by Council and that the Ministry of Housing, Communities and Local Government are duly notified (via capitalreceiptsflexibility@communities.gsi.gov.uk) so they can keep track of the planned use of this flexibility for national purposes.

Refinancing of the capital programme

68. The treasury management strategy section later in this report sets out further details of the fundamental change in approach to the financing of the capital programme and its refinancing designed to release resources in support of the revenue budget. The proposed approach is to borrow to finance these schemes over the life of the asset which will enable the council to match the cost of investment in capital infrastructure with its benefits. This approach releases £25.2 million in 2021/22 in addition to £2.8 million delivered in 2020/21 and includes resources previously committed to;
    - Transformation programme
    - ICT investment plan
    - Poole Bay beach master plan
    - Town centre development fund
    - Canford Cliff stabilisation programme
    - Hillbourne school
    - Heart of Poole project

    The borrowing costs of these investments have been included in the budget and medium-term financial plan to the extent to which the necessary capital and interest repayments fall within the relevant time period. It is also worth highlighting in certain circumstances the council will look to avoid borrowing where provision can be made as part of its community infrastructure levy arrangements.

    It should be highlighted these resources include those redirected from the transformation programme further to Council's approval of a £37.6 million budget as part of the organisational redesign report in July 2020. This budget included approximately £18 million in resources set aside up front (including £10 million from the financial liability earmarked reserves previously set aside as a counterweight to the deficit on the Dedicated Schools Grant).

69. As part of the process of considering the resources made available to support the capital programme and the focus on, where appropriate the use of borrowing, it is proposed to release the £2.8 million set aside as part of the 2020/21 budget as a revenue contribution to capital.

Review of inherited resources

70. Council on the 5 January 2021 endorsed the proposal of Cabinet on 16 December 2020 to refinance £4.8 million historic infrastructure spending via community infrastructure levy (CIL) and s106 funds to support the 2021/22 budget position.

71. This work focused on the first phase of a review of resources and provisions inherited from predecessor councils relating to s106 deposits and CIL receipts. The purpose was to establish if there had been consistency in how they have been used and to determine the extent to which they should have been applied to historic capital expenditure.

Schools Forum

72. Schools Forum is a statutory body of the council and must be consulted on all school funding budget allocations. It also has a range of decision-making powers regarding the level of budgets held centrally and whether any funding provided for mainstream schools can be transferred to other budget areas.

73. The BCP Schools Forum has a complement of twenty-four members with representation from all categories of schools. Two meetings were held over the autumn and early January, with recommendations and decisions made for the BCP budget regarding school funding through the ring-fenced DSG.

Dedicated Schools Grant (DSG)

74. The gross DSG of £300 million provides funding for mainstream schools for pre 16 pupils, private, voluntary and independent nursery providers, a small range of central school services (for example, school admissions) and specialist provision for children and young people with high needs. High needs budgets include funding for mainstream schools and specialist providers to support pupils with education, health and care plans (EHCPs) aged 0-25, and those educated out of school, for example due to permanent exclusion or medical needs. Academies are funded from the gross DSG allocation but with amounts subsequently recouped by the DfE to enable the budget share for pre 16 pupils to be paid directly by the Education & Skills Funding Agency (ESFA).

75. The DSG is allocated to the council through four funding blocks, each with its own national formula methodology; early years, mainstream schools, high needs and central school services. Distribution to councils linked to historic allocations has now largely ended, with some funding protection mechanisms in place to reflect that expenditure patterns once well-established cannot be changed quickly. The separate DfE grants provided in recent years to reflect otherwise unfunded uplifts in teacher pay and pensions costs have been subsumed into the 2021/22 DSG within each of the three relevant funding blocks. This accounts for £11 million of the £25 million overall increase in the DSG for 2021/22.

76. The council brought forward a DSG accumulated deficit of £4.6 million in April 2020 due to the now recognised national underfunding of the high needs budget. The deficit was budgeted to grow by £5 million during the current year. The deficit arises from the restrictions in how funding can be moved between blocks with it not possible to reduce expenditure to balance the account

as well as meet the statutory education entitlements of pupils identified with high needs. A £1 million overspend is projected for 2020/21 with the accumulated deficit at March 2021, therefore, an estimated £10.6 million.

77. The council is not able to add to the DSG from its own funds to support annual expenditure or to reduce the accumulated deficit without the approval of central government. The projected annual high needs deficit for 2021/22 is £10.8 million and without any mitigation the deficit will grow to £21.4 million by 31 March 2022. The deficit recovery plan and related service action plan are being reviewed as a matter of urgency and this budget looks to materially impact both financial resilience and improved service delivery for our children in this area by the commitment of the council to finance £10 million in further capital investment in order to bring down expensive external placement costs.

78. The DSG accumulated deficit, under recently implemented accounting rules, is required to be carried on the council's balance sheet as an unusable negative earmarked reserve with this considered further in the reserves section of the report. The projected position is summarised below:

Figure 12: Projected dedicated schools grant at March 2022

	£m
Accumulated deficit 1 April 2020	**4.6**
Budgeted high needs shortfall 2020/21	6.0
Projected pressure in the High Needs Block 2020/21	1.4
School funding block surplus 2020/21	(1.0)
Projected savings on other blocks 2020/21	(0.4)
Projected deficit 31 March 2021	**10.6**
Projected high needs funding shortfall 2021/22	10.8
Projected deficit 31 March 2022	**21.4**
Surplus school's block funding (0.5%) agreed by schools' forum to transfer to high needs.	(1.1)
Proposed projected deficit 31 March 2022	**20.3**

Early years block - £21 million

79. The Department for Education (DfE) introduced a national formula in 2017/18 to fund Local Authorities for the free education childcare entitlements for those aged 2, 3 and 4. This provided a significant increase in funding for the legacy councils in the first year of a static 3-year funding rate. An increase of £0.08 per hour of provision (less than 2 per cent) was applicable for all local authorities in 2020/21. In 2021/22 the hourly funding rates have been increased for 2-year provision by £0.08 per hour (1.5%) and for 3 and 4 year- olds by £0.06 per hour (1.4%).

80. The level of funding retained for central budgets relating to the free entitlements have been agreed by the Schools Forum. The amount centrally retained is less than the 5% maximum allowed.

81. A consultation took place with all providers in November / December regarding how the formula is to be updated for the new funding level when it became known. The outcome of this was

considered by the school's forum in January 2021. A separate paper on the meeting agenda for a council decision includes the recommendations from this meeting

Schools block - £229 million

82. The national funding formula (NFF) for mainstream schools funding provided a £7.9 million (3.6 %) increase for 2021/22 due to uplifted formula values and revised local school data. A further £2.2 million (1.1%) has been provided in final allocations through growing pupil numbers from the October 2020 school census.

83. Consultation was undertaken with all schools in November / December regarding the mainstream school formula for 2021/22 with options regarding varying levels of funding transfer to high needs. The school's forum received the outcome of this consultation in January. A separate paper on this meeting agenda includes proposals for Council decisions regarding the mainstream school's formula.

84. Also included in the school's block is funding for pupil growth in mainstream schools from September 2021. These allocations are made to schools where growth meets specific national criteria. The DSG allocation has reduced by £0.4 million compared with last year but is enough to meet estimated costs with a balance available to transfer to high needs.

High needs block - £48 million

85. The funding shortfall for pupils with high needs continues to be a national problem with the LGA report (Have we reached a 'tipping point'?) still relevant despite the 9% increase in funding for 2021/22 of £4 million (which is similar in scale to the increase for 2020/21). The education environment has changed little with the report's main conclusion that "Local Authorities have all the responsibility for maintaining high needs expenditure within budget, and yet have almost no hard levers within which to effect this" still valid. The trends in spending for children and young people with SEND have continued ahead of funding levels with the BCP annual gap growing each year due to the rise in caseload and average cost of provision. This is despite implementation of the high needs action plan, drawn up following a series of consultant reviews, and which includes the creation of a significant number of lower cost places in our local schools which are on track to be delivered.

86. The DSG regulations allow schools forum to approve a transfer of mainstream school funding of up to 0.5% in 2021/22 (with the £10 million of subsumed separate pay grants not permitted to be included in the percentage calculation). A higher level requires the approval of the DfE. A transfer to high needs of £1.1 million (0.5%) was considered by the school's forum in January and approved. The small school's block surplus remaining (after all mainstream schools have been allocated their full NFF allocations) of £0.2 million is to remain in the growth fund as a contingency. A request to the DfE for a greater level of transfer is considered unlikely to succeed as it was declined last year. Any significant increase beyond the 0.5% secured from school's forum would lead to schools not receiving their full NFF allocations for which there is little support from schools individually or the school's forum and with the DfE being very unlikely to override these views.

87. A separate report on the agenda recommends the transfer of £1.1 million from mainstream schools funding to the high needs budget. This balances the financial needs of the council and schools as far as possible within the approvals already secured and in accordance with the statutory school budget setting framework.

Central school services block - £2 million

88. The funding is provided largely through a national formula for on-going functions with per pupil rates uplifted for 2021/22 to reflect the previous teacher's pay grants now subsumed into the DSG for LA expenditure. This arises from the small number of teachers undertaking central functions. The underlying rate for BCP has reduced by 2.5% as expected from the transitional protection arrangements. Pupil number growth provides some mitigation with only a small overall reduction between years. Historic commitments in BCP are funded at previous levels (instead of the announced planned reduction) following a successful application to the DfE. Funding in this block supports specific central services for all schools and the DSG budgeting system. The school's forum has agreed the budgets are set at the level of funding.

Maintained schools

89. As last year, no schools have converted to Academy status during 2020/21 with none currently planned for 2021/22. BCP will, therefore, continue to have 16 schools plus the Christchurch learning centre to maintain at April 2021. Funding to continue statutory services for maintained schools is to be provided from central retention of maintained school budget shares through agreement of maintained schools representatives at school's forum. This retention totalling £0.2 million is still to be agreed by the relevant members of the school's forum but the outcome should be available by the end of January.

Academies

90. Academies are independent organisations; their funding and expenditure is not contained within the council's budget.

Education & Skills Funding Agency (ESFA)

91. Funding for mainstream post 16 pupils is provided by the ESFA and is passported directly to schools. This budget remains estimated as the ESFA will not provide the detail of allocations until later in the year.

Schools pupil premium

92. The school pupil premium is provided by the DfE and is passported to schools. It is allocated according to the number of pupils eligible for free school meals (FSM) from low income criteria, Children in Care (CiC) or adopted, and of forces personnel.

Capital strategy

93. As part of providing vital services to our local community, the council is required to invest in, and maintain, a portfolio of land, property and other assets including;

    - Highway infrastructure such as roads, footways and bridges.
    - Schools and adult education centres.
    - Parks and open spaces including the seafront and coastline.
    - Vehicles, plant and equipment.
    - Administrative offices.
    - Approximately 9,620 council homes (through the Housing Revenue Account).

94. The council’s capital investment programme sets out the resources that it has agreed to spend on such assets and in doing so driving local economic growth and supporting the delivery of council services.

Overview and core principles

95. The capital strategy is based on the following core principles:

- Capital projects are supported by appropriate business cases, that clearly identify funding sources, and are approved in accordance with BCP financial regulations. No project that relies on government grant, external funding (including third party contributions) or capital receipts can commence until the council has complete assurance the funding will be / has been received or has otherwise explicitly agreed to accept the risk.
- The use of prudential borrowing for capital projects where no alternative source of funding is identified must comply with published HM Treasury PWLB borrowing restrictions. Business cases must demonstrate the council is able to meet annual borrowing repayments. The council’s overall borrowing capacity is set out in its treasury management strategy.
- Interest rates from the council’s invest to save framework (which provides a framework through which to recognise an appropriate level of risk for each project) are applied to all business cases that rely on future income streams from which to meet annual borrowing repayment costs.
- To support any future ambitions or key infrastructure developments and to mitigate the underlying risks within its capital investment programme, the council will consider new financial approaches which will undoubtedly require an acceptance of higher than standard levels of risk. Such risk will be carefully considered especially bearing in mind the scale of the council’s budget, the size of its revenue MTFP funding gap and the increasing use of prudential borrowing as a source of funding.
- BCP capital resources (CIL, s106 contributions, capital reserves, capital receipts) are prioritised towards:
  - commitments under the council’s flexible use of capital receipts strategy
  - schemes which require a local contribution to lever in capital grants or external capital contributions
  - schemes which enable delivery of the savings assumed within the MTFP
  - schemes which enable the council to exploit its assets
  - schemes which protect key infrastructure
  - schemes considered a corporate priority.
- No resources are earmarked within the capital strategy for the consequential impacts of capital investment on the council’s revenue budget (for example programme maintenance). These must be identified and managed within revenue budgets set as part of the MTFP.
- Funding earmarked for delivery of the capital strategy (including external government grant and new borrowing facilities) is only recognised within the capital programme as these funds are utilised / allocated to approved capital projects.

Capital investment programme (CIP) 2021/22 to 2025/26

96. BCP's 5-year capital investment programme consists of £124.8 million capital budget in 2021/22 and a further £131.3 million capital budget in the following four years – a total 5-year programme of £256.1 million spend on assets and infrastructure across the conurbation. The programme does not include projects undertaken by the Bournemouth Development Company (BDC), for example the Winter Gardens which are approved, monitored and reported outside of the council's general fund capital investment programme. The programme does not include funding available but not yet earmarked to specific capital projects (e.g. new £50 million future fund and £10 million fund to support special educational needs and disability capital expenditure. Neither does it include capital projects where funding is still pending approval (e.g. £25 million Boscombe towns fund).

97. The £50 million futures fund and the £10 million support to SEND capital is in line with the bold vision to support our community respond to the impact of the pandemic. The assumption in the MTFP is that the £50 million futures fund will be drawn down in tranches of £10 million per annum over five years in support of investment in local infrastructure. It will be funded through borrowing with the capital and interest repayments which will reach £1.435 million per annum by year five factored into the 2021/22 budget and medium-term financial plan as appropriate.

98. The council's HRA capital budgets are also reported separately to the general fund capital investment programme.

99. Outside of the budgeted capital programme, the council will also continue to encourage, support and enable strategically important private or public investments that benefit the conurbation including investments by the local universities, local organisations affiliated with the National Health Service, Bournemouth and Poole College, Port of Poole, Bournemouth Airport, academies and local employers.

100. The five-year capital programme represents an ambitious strategic medium-term programme of investment in each of the council's priorities. It includes all capital projects for which funding has been secured and will develop further as new capital projects are approved. It does not include grant funding (either anticipated or already received) that has not yet been allocated to approved projects. Neither does it include one-off capital grant bids that are pending outcomes, such as the council's £25 million Boscombe towns fund bid. It does, however, include estimates of annual capital grant allocations, where supported by government notifications of indicative grant awards (e.g. local transport plan, pothole grant, DfE capital grants, disabled facilities grant (DFG)). These indicative grants have been allocated to capital projects in the CIP. Indicative values are expected to be formally confirmed by March 2021, and the CIP adjusted if required.

101. **Figure 13: Capital Investment Programme (CIP) spend 2021/22 to 2025/26 (£256.1m)**

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	5 year total £000
Adult Social Care	1,872	1,545	1,545	1,545	1,545	8,050
Children's Services	9,850	510	70	0	0	10,430
Highways maintenance	14,375	7,691	8,167	9,667	9,667	49,567
Highways major projects	43,354	32,444	1,500	0	0	77,298
Coastal Protection	8,045	16,981	3,451	1,788	8,417	38,682
Economic Regeneration	10,472	336	336	0	0	11,144
Destination & Culture	9,776	6,861	50	0	0	16,687
Housing & Communities	17,486	8,159	1,974	1,974	1,974	31,567
Hard Facilities Management	703	518	518	518	518	2,775
Environment	2,762	0	0	0	0	2,762
Resources	6,139	1,000	0	0	0	7,139
BCP planned capital expenditure	124,834	76,044	17,610	15,491	22,120	256,100

102. The following assumptions underpin the CIP 2021/22 to 2025/26:

- Capital schemes are only included within the CIP once funding has been identified and secured. The only exception to this is the transformation programme, which relies on capital receipts not yet realised to fully fund planned expenditure.
- The CIP includes indicative estimated values for local transport plan (LTP), pothole grant, school condition grant and better care fund (including disabled facilities grant) government grant awards. These are based on 2020/21 government grant allocations and will be revised, if necessary, once formal funding announcements are made (expected quarter four 2020/21).
- Revenue funding for capital spend has been included within the CIP, where revenue 'base budgets' have allowed for this funding contribution.
- Repayment of all prudential borrowing within the CIP is fully funded from revenue budgets.
- Work is ongoing to ensure availability of community infrastructure levy (CIL) and s106 developer contributions to support the CIP.
- Unspent approved capital budget from 2020/21 (amounts already reprofiled and final slippage that will only be quantified at the year-end) are / will be included within final CIP budget 2021/22.
- Any new capital projects not already included within the CIP will require separate approval in line with BCP financial regulations.

103. The Council's constitution requires formal Council approval of each capital project before it can commence. In line with this, Council endorsement is sought for the £124.8 million capital programme budget 2021/22 (year 1 of total 5-year CIP budget of £256.1 million). A full listing of capital projects comprising CIP 2021/22 is attached as Appendix 4.

104.In endorsing this budget, councillors should be aware that it is likely to change during 2021/22 as new schemes are approved, new funding sources identified, indicative grant funding is confirmed, and capital schemes are potentially revised in line with new council-wide priorities. The 2021/22 capital budget will also be increased for any capital budget underspends from 2020/21, which will only become known at year end.

5-year capital investment programme (CIP) - key areas of focus

105.Significant capital projects by service directorate currently included within the five-year CIP include:

Adults services

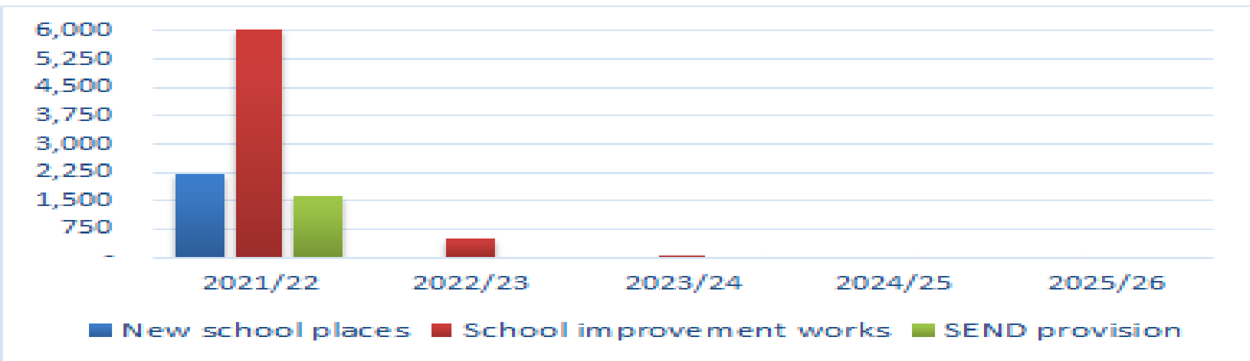
Figure 14: 5-year capital investment £8.1m

106.The capital programme assumes £1.5 million of the council's annual Disabled Facilities Grant (DFG) in-year allocation will be invested in its shared Integrated community equipment store (ICES) with Dorset Council, to better facilitate care within the home. This is based on an indicative BCP estimate of DFG funding over the five years of the capital programme. Actual grant funding allocations are expected to be confirmed February / March 2021. Officers from adult's social services and housing & community services will review the ongoing adequacy of the proportion of DFG allocated to the ICES programme periodically.

107.No direct provision has been made for an additional stand-alone investment in the council's adults and children's case management system within the CIP at this time. This will be considered as part of the resources set aside for the transformation programme.

Children's services

Figure 15: 5-year capital budget £10.4m



108. The children's capital strategy is funded from a combination of DfE capital grant, prudential borrowing (£4.65 million of which is funded from the transfer of surplus maintained school land from the general fund to the HRA), s106 developer contributions and CIL.

109. Children's services continue to face significant pressures, particularly within the high needs block revenue budget, that the capital strategy seeks to mitigate. In 2020/21 the Council invested significantly in creating additional SEND capacity within the locality. This focus continues in 2021/22, with the creation of new SEND school places at the Bournemouth Learning Centre and investment in SEND satellite provision at Somerford school. Whilst high level indicative budgets for these have been approved and included within the CIP, councillors should note that existing budget allocations could increase as previous cost estimates are reviewed (considering Covid-19) and procurement processes are completed.

110. DfE announced in the autumn 2020 spending review that a further £300 million has been allocated nationally for SEND provision in 2021/22. Based on prior year allocations, officers estimate BCP could expect to receive around £2.5 million of this additional funding but neither the grant nor its conditions and allocation methodology have yet been formally confirmed. Once confirmed the grant funding will be allocated to new capital projects within the CIP. To help mitigate funding pressures the council anticipates (and has budgeted for) use of a new £10 million SEND infrastructure loan. If this new borrowing is accessed, it will be repaid over 50 years and taken out from the middle of 2021/22. The financial implications of this £10 million investment amount to £287,000 per annum over the fifty-year period.

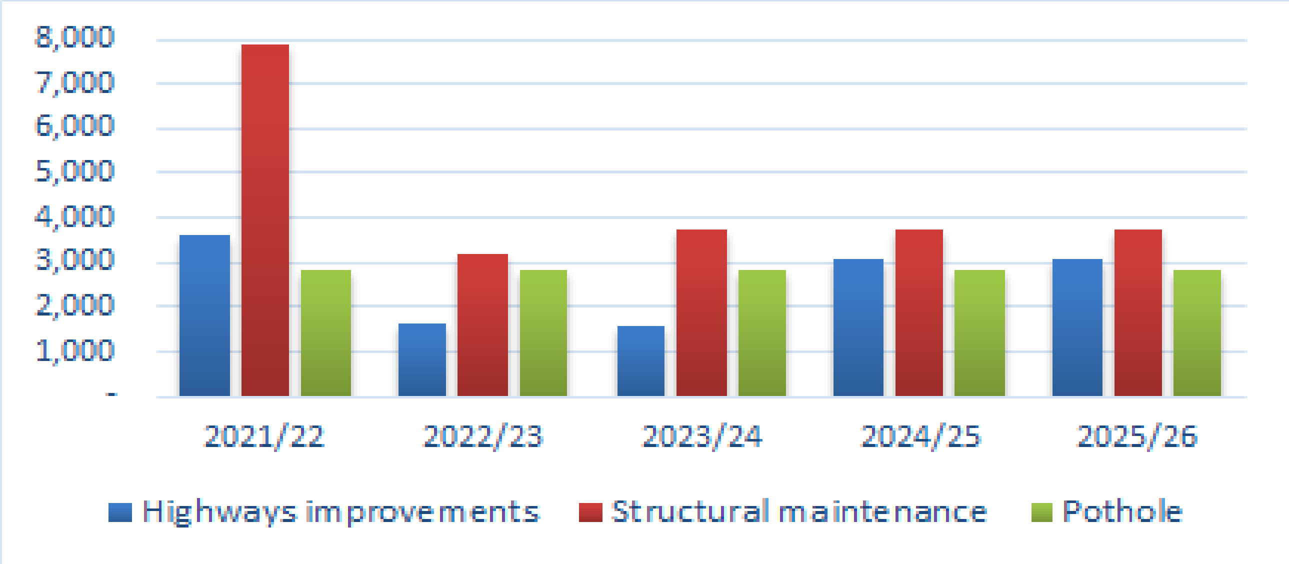
111. School improvement works currently approved include completion of a new school building at Hillbourne school. This is an ambitious project that requires extensive remodelling of the existing school site to provide a new school building and provision of over 100 new homes. The capital programme assumes £4.65 million of the school build costs will be funded from new borrowing repaid from transfer of surplus school land to the HRA for housing development. This can only take place once the land is formally declared as surplus to school requirements. The funding strategy assumes the transfer will be effected by 31 March 2022. A delay in meeting this deadline could potentially result in additional cost to the council as 'temporary borrowing' will likely be required until such time as land transfer takes place.

112. Based on prior year in-year allocations, the council assumes around £0.8 million additional school condition grant funding will be received in 2021/22. As with the SEND funding, this allocation will be included within the CIP once it is confirmed and allocated to new school building related projects.

113. Capital budget is also set aside within the CIP for the creation of new school places at St Aldhelm's Academy as well as completion of works at Carter School and Avonbourne Academy.

Growth & Infrastructure – highways and bridges maintenance

Figure 16: 5-year capital budget £49.6m



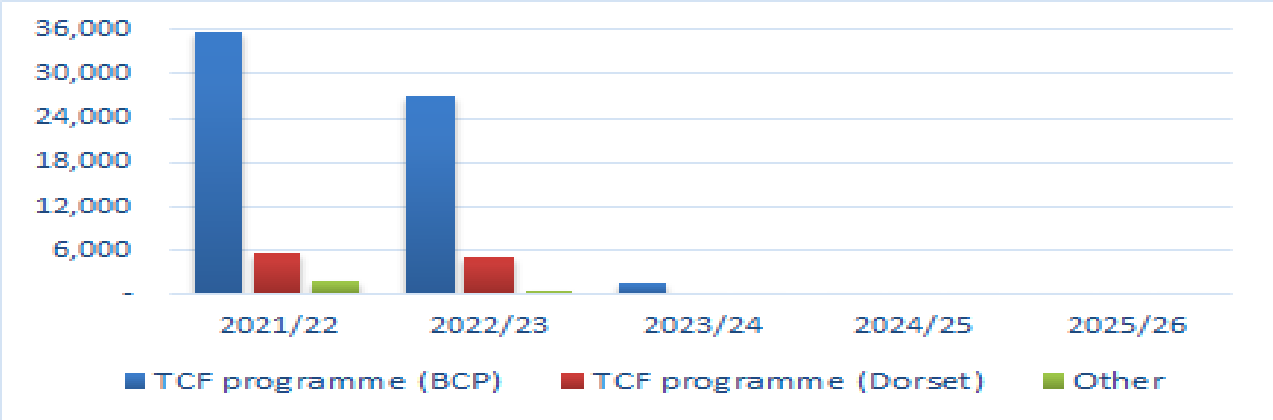
114. The Council's indicative annual integrated transport block DfT capital grant allocation of £3.1 million (part of total indicative local transport plan (LTP) annual allocation of £6.8 million) is earmarked for several planned highways improvements across the conurbation. Councillors are asked to note that around £2.3 million from future years LTP allocations may have to be set aside as local contribution for the council's £25m Boscombe towns fund regeneration bid - outcome still pending. Utilisation of future years' LTP funding as local contribution for Boscombe regeneration depends on whether the towns fund bid is successful, and on the availability of alternative sources of funding (for example highways infrastructure loan or CIL).

115. The annual structural maintenance budget within the capital programme is also based on indicative DfT annual capital grant allocation of £3.7 million (the remainder of the total indicative annual LTP allocation of £6.8 million). This funding is earmarked to fund various maintenance work on highways and bridges across the conurbation. A separate paper detailing planned LTP spend 2021/22 by project will be brought forward for councillor approval in due course.

116. The capital programme assumes the Council will continue to receive £2.9 million pothole grant annually. This is based on 2020/21 grant allocation and will be updated once final allocations are announced. The CIP allocates £0.7 million pothole capital grant (including £0.2m from LTP) each year to environmental services for routine pothole repairs. The remaining annual pothole capital grant is earmarked to fund longer term highways maintenance capital works. Clearly these allocations may need to be revised should final grant allocations differ significantly from indicative estimates.

Growth & Infrastructure – Major highways programmes

Figure 17: 5-year capital budget £77.3m

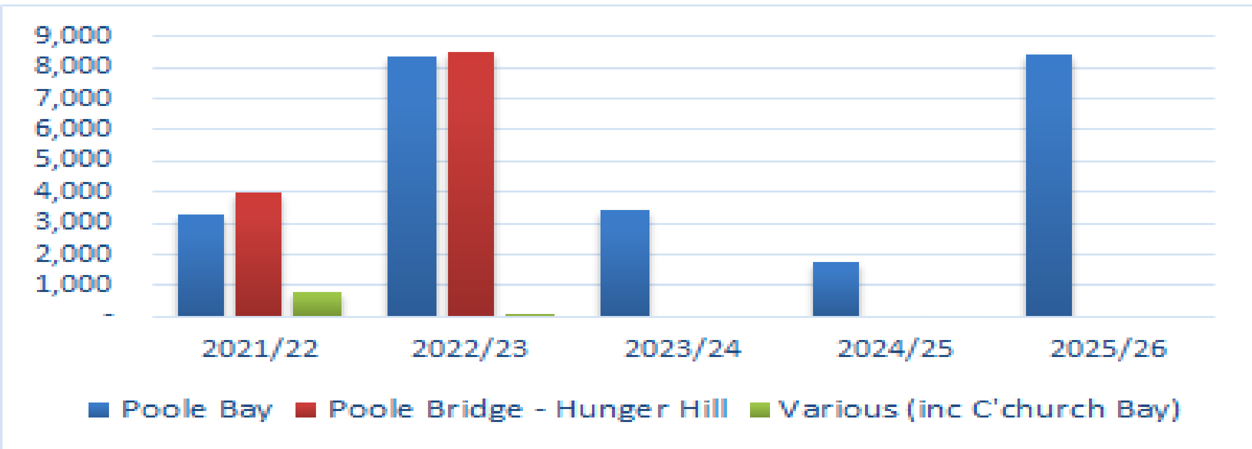


117.The Council is committed to promoting more environmentally sustainable means of travel across the conurbation. In late 2019/20 it was awarded £79 million government grant funding from the Transforming Cities Fund (TCF). Around £13 million of this grant funding will be allocated to Dorset Council for completion of the "A4 sustainable travel corridor" of works. In addition to TCF grant funding, the programme is supported by local authority LTP grant funding (provided by both BCP and Dorset Council), and third-party contributions. Governance arrangements are in place including internal programme boards and steering groups, with councillor representation. Regular progress reports are also submitted to the DfT, including works undertaken by Dorset Council as part of the TCF programme. A full breakdown of planned spend across each major corridor of works will be prepared for approval in line with financial regulations.

118.Other non-TCF major works planned for completion include £2.1 million investment to deliver 0.65km of cycleways along Ringwood Road / B3061 Sea View Road and A348 Ringwood Road – funded from LTP and NPIF grants and scheduled to complete by 31 March 2023. The current programme also includes planned works to complete Townside Access to Port of Poole project and Wallisdown Connectivity spend.

Growth & Infrastructure – coastal protection

Figure 18: 5-year capital investment £38.7m



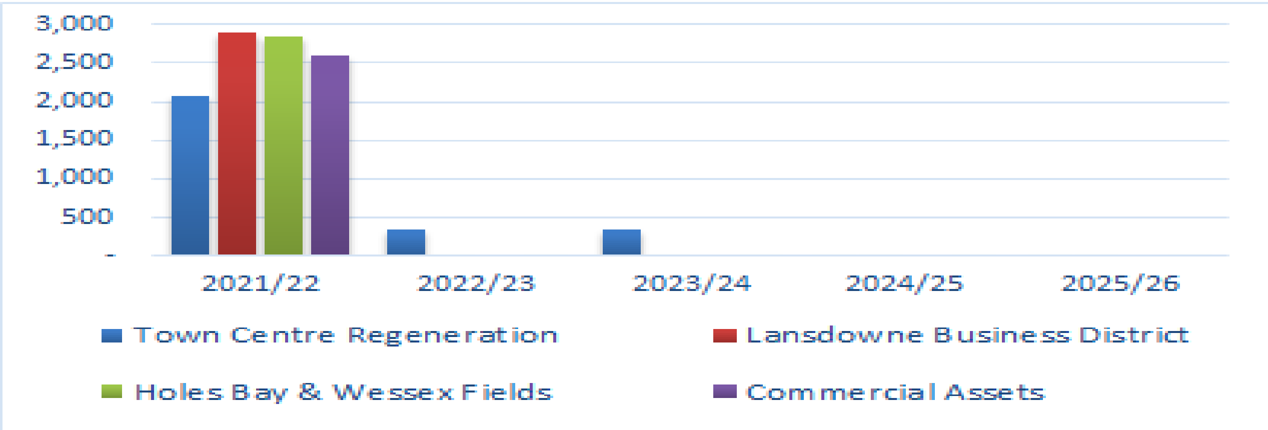
119.In partnership with the Environment Agency, the council continues to invest in protecting BCP's coastline including development of a flood and coastal erosion risk management plan for Christchurch Bay and harbour, and investment in the next phase of BCP's long term Poole Bay beach management plan. The latter will see a programme of significant investment in both timber groyne renewal and sand replenishment along the council's foreshore, stage 1 of which commenced in 2020/21.

120.In consultation with the Environment Agency the funding model for Poole Bay beach management plan has been revised. This has enabled £1.5 million of revenue funding for capital previously approved and allocated to the scheme to be released in support of the 2021/22 revenue budget. BCP is required to make a combined £3.3 million local contribution towards the programme. This contribution will now be funded predominantly from prudential borrowing.

121.The Council was informed in January 2021 that the Environment Agency has approved its business case for flood defence works between Poole Bridge and Hunger Hill. This will inject a further £12.5 million of Environment Agency grant funding for flood defence works in the area over 2021/22 and 2022/23. Council approval to accept this new grant is sought within the quarter three 2020/21 council budget monitoring report.

Economic regeneration

Figure 19: 5-year capital investment £11.1m



122.In 2020/21 alone the Council invested £22 million in economic regeneration programmes – including the acquisition of development land for new housing in the Holes Bay area of Poole (funded from a combination of government and Dorset Local Enterprise Partnership (DLEP) funding, prudential borrowing and right-to-buy receipts), Lansdowne Business District regeneration (in partnership with the DLEP) and investment in Boscombe (using accelerated grant funding from the Ministry for Housing, Communities and Local Government (MHCLG)).

123.A further £5.7 million town centre regeneration investment is approved for 2021/22, funded predominantly from BCP capital resources, consisting of the following:

- Town centre regeneration investment to finalise the revised heart of Poole masterplan
- Relocation of the Dorset-wide Skills & Learning service to the Dolphin Centre
- Poole High Street Heritage Action Zone investment and
- Christchurch town centre focussed regeneration activities
- Lansdowne business district – final phase of works.

124. In November 2020 the council submitted a bid to MHCLG for £25 million of towns fund grant to help deliver an ambitious and far-reaching programme of regeneration in Boscombe town centre, consisting of discrete but complementary capital schemes. If successful (and supporting business cases for each scheme are approved by MHCLG), the council can expect to start delivery of this programme in 2021/22. MHCLG grant funding will only be reflected in the CIP when individual schemes are approved. That said, at this time the council has recognised and earmarked £2.3 million of future years' LTP grant funding as local contribution for the 'local transport interventions' project within the Boscombe towns fund programme. Whilst this contribution has been earmarked, it will only be required if the local transport interventions business case is approved by MHCLG. The council also retains the option of swapping future LTP contribution for alternative funding sources, for example CIL or highways infrastructure loan.

125. The DLEP will only fund Lansdowne business district works incurred in advance of 31 March 2021. Spend committed to but not undertaken by 31 March 2021 cannot be reclaimed from DLEP and will have to be met from the Council's own internal resources. A further £2.9 million of BCP funded investment is planned for the final phase of the programme (works in 2021/22). This is the council's local contribution requirement as specified within the DLEP grant agreement. A funding strategy for the £2.9 million has been proposed to the Lansdowne steering group (January 2021). This assumes the use of £2.6 million of s106 contributions and CIL cash received, leaving a current funding shortfall of £0.3 million to be managed as the works progress. Councillors are asked to note that the £2.9 million funding is earmarked for the final phase of the programme and should not be regarded as funding for any spend not reclaimed from the DLEP. There are therefore clear financial risks to the council associated with both phases of the work.

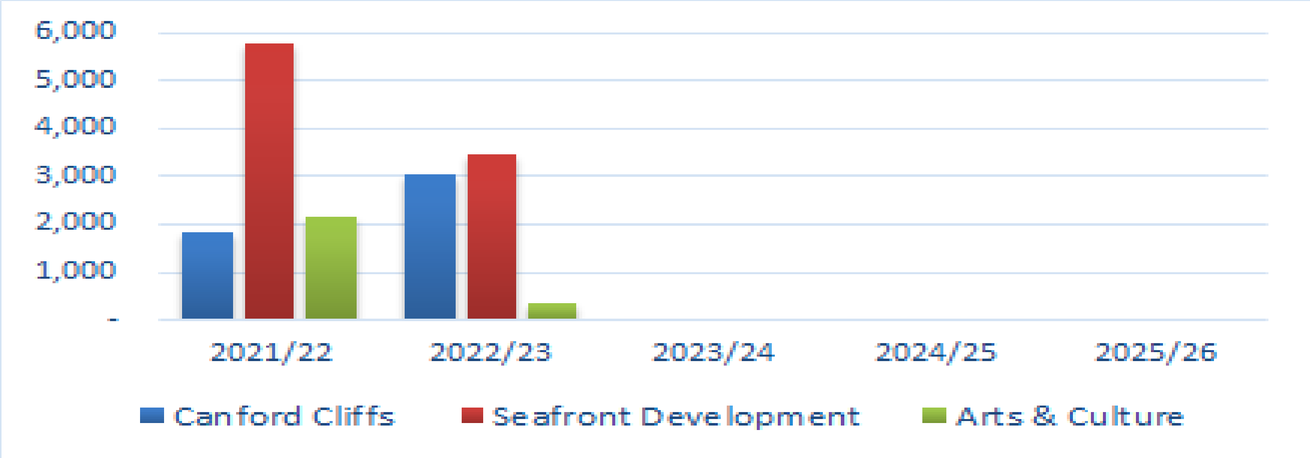
126. Holes Bay development design phase, for the construction of new housing (including affordable housing) in the Holes Bay area of Poole is included within the CIP. The CIP will be amended for the construction of new housing on site as the scheme is developed and approved.

127. In addition to the above, the Council has approved the disposal of part of the 30 acres of land acquired at Wessex Fields (separate report on this agenda). In order to facilitate the land disposal, the council is required to undertake highways and junction / access improvements works, estimated to be around £2.1m. The costs of these works are proposed to be delivered by BCP and funded from prudential borrowing and are included within the CIP.

128. Investment in commercial assets - the council continues to work closely with BH Live to develop a long-term strategy for the Bournemouth International Centre (BIC). Funding has also been set aside for the remodelling and reconfiguration of retail units rented out within the Mallard Road retail park.

Destination & Culture

Figure 20: 5-year capital investment £16.7m



129. The Council's ambitious seafront development strategy is anticipated to progress at scale and with pace over the next two years. Canford Cliffs development includes completion of cliff stabilisation work, remodelling of Canford Cliffs pavilion and the construction of new beach hut provision in the area. This development is funded from a combination of BCP capital reserves, coastal communities fund grant funding and prudential borrowing. The programme was partially refinanced in 2020/21, resulting in the return of £3.8 million BCP capital resource to support the revenue budget position (capital reserve funding replaced with prudential borrowing). A refreshed business case will be prepared for the new beach huts development (final phase of programme planned for completion 2022/23) for Council approval in advance of committing to works.

130. The remainder of the BCP seafront development strategy including Durley Chine enterprise innovation hub, Mudeford Beach House Cafe and the Bistro on the Beach development are expected to complete by March 2023. The original design specification for the Bistro on the Beach has evolved since original capital budget approval. A separate report requesting an increase in the capital budget allocation will be brought forward for Council approval in due course. The council continues to explore long term development options for Sandbanks pavilion the results of which are expected by summer 2021.

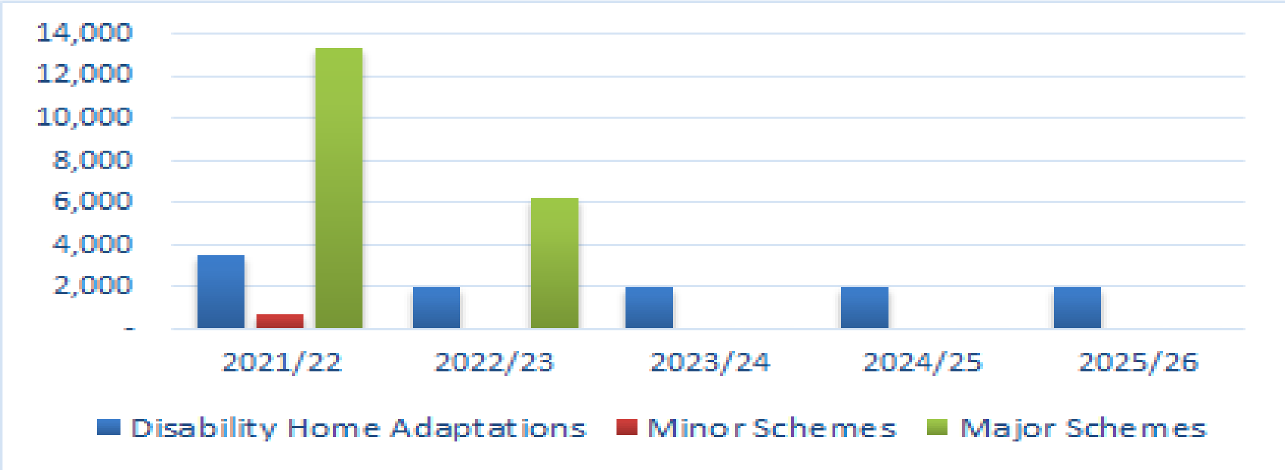
131. The primary driver behind the council's seafront development strategy is the continued development and regeneration of the seafront. Whilst approved developments generate income for the Council (e.g. beach huts, cafes), net income after operational expenditure and debt financing costs are considered insufficient for them to be regarded as commercial investments in their own right. This means the Council is permitted to utilise prudential borrowing to finance these projects if required.

132. Investment in Upton country park discovery project, utilising up to £1.4 million national lottery heritage grant funding to deliver a new range of capital works, activities, educational projects and new visitor welcome centre is expected to complete in 2022/23.

133. Investment in BCP's heritage assets including Highcliffe Castle and Poole museum in partnership with the heritage lottery fund is also included within the CIP.

Housing & Community

Figure 21: 5-year capital investment £31.6m



134.Based on estimated DFG allocations (expected to be confirmed February 2021), the council anticipates investing in a rolling programme of disabled facilities private home adaptations equivalent to £2 million each year. This investment will support and further promote independent living at home. The level of annual DFG allocated to fund private home adaptations will be reviewed periodically in liaison with adults' social services.

135.Minor schemes include continued investment in community led affordable homes projects.

136.Major schemes include continued investment in new temporary housing accommodation across the conurbation to support homelessness prevention. This does not include future development currently in design phase, for example Holes Bay development.

137.The Council is also planning significant new housing development at the Princess road and Prince of Wales road site to include a new 20-bed family hostel and 34 new private rented sector homes, which are separate to the HRA elements of the scheme.

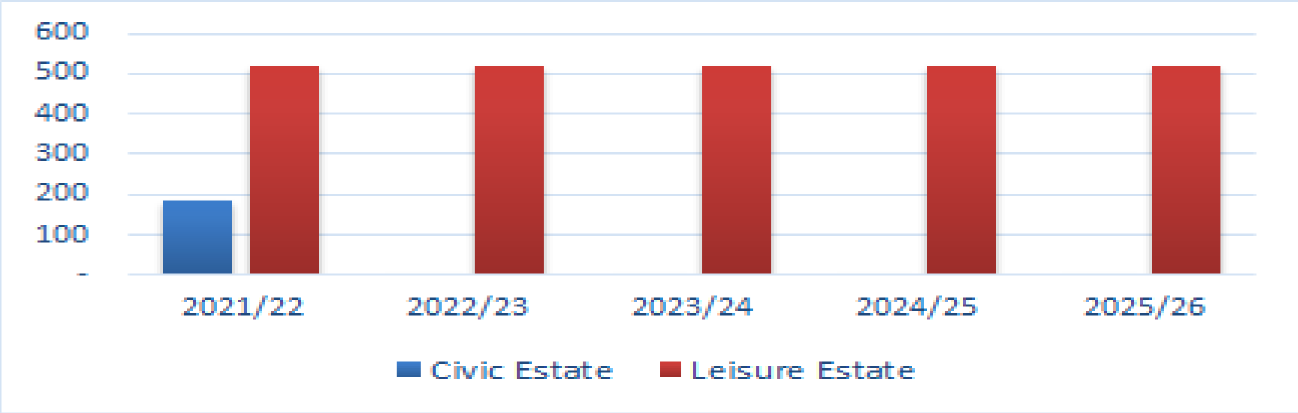
138.Major housing schemes are heavily reliant on the use of prudential borrowing to deliver the projects. The council continues to review the potential use of right to buy receipts as part-funding for any affordable housing components within these schemes. This has the potential to reduce the level of new prudential borrowing required to be taken out.

139.Homes England approved a formal grant offer and an agreement was issued for the award of £3.838 million signed by the Council in August 2019 in relation to the proposed Turlin Moor development. To date no claims have been made by the Council or paid by Homes England. Cabinet is asked to note that due to unforeseen circumstances which have affected the compliance with the terms of the agreement, neither the Council nor Homes England will be taking forward the provision of the LAAC Grant award. The pandemic has meant that the necessary face-to-face consultation with the community has not been possible within the required timeline. Further details can be found in Appendix 4a.

140.Councillors are reminded that CIP housing investment complements and is in addition to capital investment planned within the Council's HRA.

Estates management

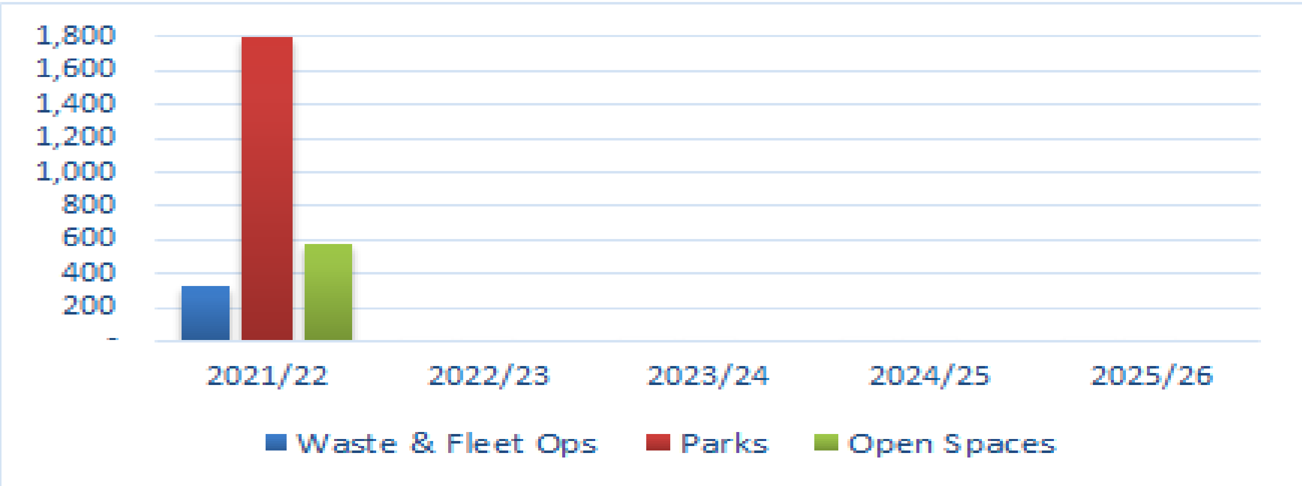
Figure 22: 5-year capital investment £2.8m



141.Work is ongoing to further rationalise the civic estate inherited by BCP from legacy Councils. Annual maintenance of the civic estate is now funded predominantly from revenue budgets, except for leisure facilities, for which an annual capital investment of £0.5 million is earmarked within the capital programme.

Environmental services (parks, open spaces and waste operations)

Figure 23: 5-year capital budget £2.8m



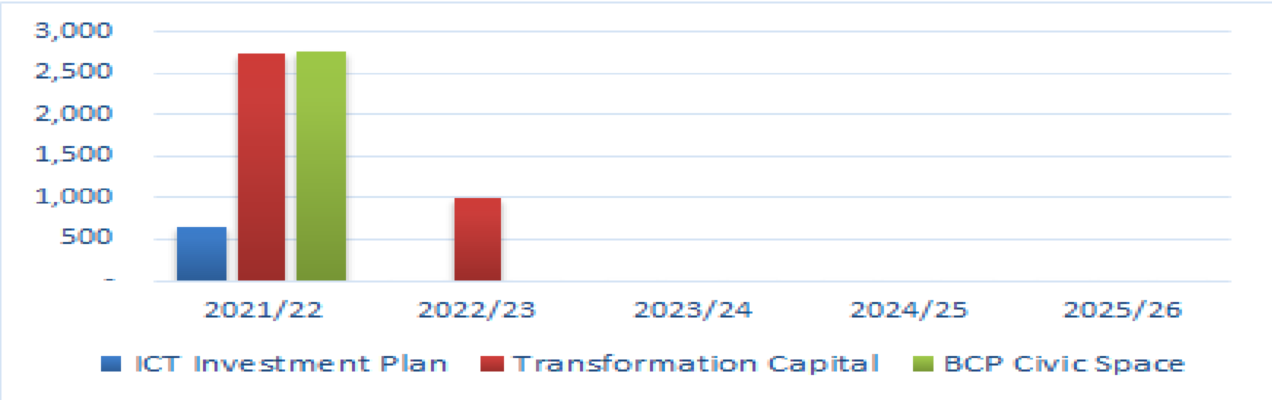
142.A long-term sustainable fleet strategy is intended to be submitted for council scrutiny and approval in April 2021. The strategy will seek to maximise the use of lower emission vehicles across frontline services' fleet operations and cover a period of years. It will include infrastructure investment required to facilitate the move to more low emission vehicles as well as provision for the replacement of fleet vehicles as they reach life expiry. The strategy will be funded from prudential borrowing, with annual budgets set aside within the MTFP to meet annual borrowing repayments. No specific provision has been made within the MTFP at this time for the repayment of additional borrowing costs arising from the strategy.

143.The council intends to develop plans for improved waste management facilities over the medium-term. Around £6.9 million waste infrastructure grant received is set aside as funding towards this - but will only be reflected within the capital programme once the capital project is designed and approved. Investment in parks and open spaces includes the completion of a significant programme of investment in Poole Park, investment at Kings Park athletics centre, construction of a new pavilion at Fernheath playing fields and continued investment in open spaces.

144.Outside of the capital programme, the Council has also approved the award of £2.8 million grant (funded from CIL and planning contributions) to Dorset Wildlife Trust, to purchase agricultural land and manage in perpetuity as low nitrate input. Known as the Dorset Nature Park, this proposal will allow the Council to continue to grant planning permission for new homes, as well as providing multiple benefits to residents across Dorset and BCP Council areas. This proposal has the written support of Natural England and is funded from developer contributions.

Resources

Figure 24: 5-year capital investment £7.1m



145.The Council's ICT investment plan is updated annually and represents ongoing investment to maintain, improve or replace existing IT infrastructure to maintain business as usual service delivery across the Council. This investment complements ICT related investment approved within the council's transformation programme and (as a result of capital programme refinancing undertaken in the summer) is now wholly funded from prudential borrowing. The CIP includes £0.375 million in 2021/22 in respect of this. New ICT investments are expected on an annual basis.

146.A further £3.7 million one-off ICT capital investment in laptops and IT hardware, to facilitate agile working, is included within the CIP for the transformation programme. This is funded from prudential borrowing. This capital investment is in addition to the £36.3 million set aside within the MTFP for the one-off revenue implications of the transformation programme.

147.The council expects to complete remodelling of the Bournemouth civic centre in 2021/22. The premises are expected to be available for use under the council's new normal arrangements by 31 October 2021. The MTFP currently assumes savings in Poole civic and Christchurch civic building related operational spend from 31 October 2021, the period when transition to the new civic space was assumed to end. In addition, the MTFP assumes these assets are repurposed on 31 March 2022 (Poole civic centre) and 31 October 2022 (Christchurch civic centre). No budget provision has been made for costs (including non-operational costs such as business rates and insurance) at these sites beyond these dates.

Capital investment programme funding

148. Figure 25 summarises capital resources currently earmarked to finance the 5-year capital programme. These include government grants, capital reserves, CIL and other developer contributions, capital receipts and prudential borrowing. This is the current position and will potentially change as ongoing work to maximise the utilisation of s106 and CIL contributions and right to buy receipts is completed. Broadly speaking, over the five years of the programme 77% of the CIP is funded from external sources (government grants and third-party contributions including CIL and s106 developer contributions) and 23% from council sources (capital reserves, capital receipts, prudential borrowing).

149. The CIP funding does not include significant grant bids from the MHCLG, decisions on which are currently pending. It also excludes new loan facilities approved but not yet drawn down and allocated to specific capital projects (£50 million future fund loan and £10 million SEND infrastructure loan).

150. The funding profile demonstrates the repurposing of capital reserves (capital receipts and earmarked capital reserves) away from supporting the capital strategy and towards delivering the council's transformation agenda. Significant refinancing of the capital programme that has been undertaken this year to release capital resources to support the revenue budget 2021/22. In total £25.1 million of capital reserve funding has been set aside to support 2021/22 budget (including funding risks associated with the transformation programme) consisting of:

- £7.2 million in earmarked capital reserves built up from previous years but no longer required to support delivery of the capital strategy.
- £11.0 million from financial liability earmarked reserve and redundancy reserve.
- £6.0 million from replacing capital fund financing for capital projects with prudential borrowing or CIL.
- £0.9 million release of unallocated capital fund

151. Further work will be completed to understand the capacity to replace remaining capital fund and reserve allocations currently planned for 2021/22 with alternative funding sources (for example prudential borrowing or CIL). The results of this work will be reported in the year-end financial outturn report.

152. Capital funding required for capital programme delivery has either been received or secured (except for indicative annual government grant funding where assumed). The annual revenue cost or prudential borrowing repayments has been factored into the MTFP.

Figure 25: Financing BCP General Fund Capital Investment Programme

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	5 year total £000
Capital expenditure	124,834	76,044	17,610	15,491	22,120	256,100
Government Grant	76,994	60,646	16,793	14,810	20,702	189,946
Third Party Receipts	1,176	0	0	0	0	1,176
s106	4,172	487	193	0	0	4,852
CIL	721	0	0	0	0	721
External funding	83,063	61,133	16,986	14,810	20,702	196,695
Revenue funding in-year	615	518	518	518	518	2,687
Capital fund	1,444	5	0	0	0	1,449
Capital receipts	495	0	0	0	0	495
Earmarked capital reserves	840	0	0	0	0	840
Earmarked revenue reserves	686	0	0	0	0	686
PRU Borrowing - funded by HRA land transfers	6,700	330	70	0	0	7,100
PRU Borrowing - funded by general fund	30,992	14,059	36	163	900	46,150
BCP funding	41,772	14,912	624	681	1,418	59,406
Capital funding	124,834	76,044	17,610	15,491	22,120	256,100

153.Capital Contingency – In recognition of the inherent risks facing frontline services, in previous years the council has sought to maintain a capital fund / reserve from which to finance unplanned increases to approved spend, new urgent capital works where no other funding source is identified, and to enable local contributions to be funded to lever in new external grant funding.

154.As a result of extensive capital programme refinancing undertaken this year the Council no longer has any unallocated capital contingency fund available through which to manage emerging pressures and to support external grant bids. This risk is mitigated by the availability of alternative sources of funding, specifically borrowing.

Reserves

155.In setting the budget the Director of Finance, as the Council's s151 officer is required under section 25 of the Local Government Act 2003 to report on **the robustness of the budget** and the **adequacy of reserves** supporting the budget. The requirement on the s151 officer is to ensure that the **budget recommended to council is balanced** (i.e. expenditure matches income), is robust and therefore deliverable and has an adequate level of reserves. The s151 officer is required to ensure that the council's approved budget addresses these three issues. The level of reserves needed will vary year on year according to circumstances and the adequate level of reserves should be informed by a robust risk assessment process. This detail is provided in Appendix 3 to this report.

156.Councils generally hold two main forms of reserves;

a) **Unearmarked Reserves:** are set aside to help manage the risk to the council's financial standing in the event of extraordinary or otherwise unforeseen events and to mitigate the underlying operational risk associated with the operation of the council and the management of service expenditure, income and the council's funding.

b) **Earmarked Reserves:** are set aside for specific purposes including those held in support of various partnerships, reserves designed to help deliver the challenges in the Medium Term Financial Plan, key major projects of the council, reserves held on behalf of third parties and several reserves the council is required to hold in line with statute or its own governance requirements.

157. In considering the adequacy of reserves it should be recognised how quickly the demand that the council is required to manage can change. Relatively minor changes or shifts in key planning assumptions could have a significant impact on the council's financial position as highlighted in figure 26 below;

Figure 26: Council sensitivity to potential changes in assumptions

	Impact on level of net expenditure or council tax requirement £000's
Looked after child (high cost - residential) – per child	405
Looked after child (medium cost – independent fostering) –per child	77
Intensive homecare package for a disabled person	131
Vulnerable adults (learning disability – residential < 65)	185
Older person's supported residential care	41 *average* 104 *higher end*
Increase in the £8m cost of the concessionary fare scheme to the Council	£80k per 1% increase in journey numbers

158. In being mindful of these key sensitivities it should be established that the cost of a looked after child or vulnerable adult can exceed £1 million per annum on an individual case basis which the council is responsible for paying in the first instance. It is only subsequently able to reduce the amount to those shown in figure 27 above once it has negotiated a contribution from the Clinical Commissioning Group on behalf of the National Health Service but the risk of achieving this outcome is held by the council. It is also worth bearing in mind that every £100,000 is equivalent to the council tax generated on 66 homes (band d equivalents).

159. Another key consideration in assessing the adequacy of the council's reserves is the need to continual be alert to the position in respect of the deficit on its Dedicated Schools Grant (DSG) with specific reference to the high needs budget as noted above. In setting the original budget for

2020/21 in February 2020 the advice was that the deficit, predicted at that time to be £5.5 million on 31 March 2020 and £10.5 million on 31 March 2021, was held by the council and recognising its responsibilities to act reasonable and prudently it took steps in mitigation, namely the establishment of a Financial Liability Reserve to act as a counterweight against the forecast deficit. Growing deficits are seen as a direct consequence of the 2014 Children and Families Act, which increased the range of ages of children and young people with SEND that councils had to support as well as raising significantly the expectations of parents across all age ranges without providing the necessary financial support.

160. The resources in this financial liability reserve were however subsequently released as part of the Organisational Design Implementation & Budget report to Cabinet in June 2020 as endorsed by Council in July. This was on the basis that the CIPFA bulletin for the closure of the 2019/20 financial statements stipulated that the reserve did not need to be in place from the 1 April 2020 onwards. This position was reinforced by a Department for Education statutory instrument which became law at the end of November 2020 which states;

Where a local authority has a deficit in respect of its school's budget for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, the authority—

(a) must not charge to a revenue account an amount in respect of that deficit; and

(b) must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its school's budget.

161. This means that the council cannot contribute to the deficit, cannot hold a reserve to act as a counterweight and will be required to move the deficit to an unusable reserve where it will sit as though it did not exist. It does though mean that the council will be required to cash flow the deficit and continue to prioritise the work needed to reduce the deficit as the statutory instrument was silent on what the position will be from 1 April 2023.

162. The current forecast deficit on the DSG is predicted to be £20.3 million as set out above in the DSG section (figure 12 paragraphs 74 to 78).

163. The Chief Financial Officer, in providing advice to council on the level of reserves required to support the budgeted position, has also been particularly mindful of the statement by the Chancellor, Rishi Sunak MP, in introducing his 25 November 2020 Spending Review that the public health emergency was not yet over and the economic emergency was only just starting. Consideration has though been given to ensuring that monies are not held up unnecessarily in reserves which could be better used to support the community and local economy at this difficult time.

164. It may also be worth emphasising that reserves should not be seen in a short-term context. They should be placed in the context of the likely future of necessary public sector spending restraint and the likely funding pressures, service pressures, cost pressures and service delivery problems that the council may face. It is, however, legitimate for the council to call on reserves to mitigate short term pressures and smooth out the impact of the pandemic on the council's sales, fees and charges income as it recovers from the public health emergency.

165. Figure 27 below provides a summary of the council's reserve position since April 2019 through to 31 March 2022. In relation to the earmarked reserves position;

- The £11.1m tranche one unringfenced grant provided by the government to support the council address the consequences of the pandemic has been excluded from the 1 April 2020 position as it was paid to the council just before the year end date.
- The balance as at 31 March 2021 includes £25.1 million from the workstream to fundamentally refinance the capital programme which will be applied in support of the 2021/22 revenue budget. The balance as at the 31 March 2021 excludes £40.5 million of government grants to support the 2020/21 business rates and council tax deficits carried forward into 2021/22 alongside associated accounting adjustments.
- The balance as at 31 March 2022 reflects the normal annual level of government grants paid in advance of the associated expenditure, reserves held on behalf of third parties, and the earmarked reserves set aside to support the 2022/23 budget.

Figure 27: Movement in Reserves

	Balance 1 Apr 2019 £m	Balance 1 Apr 2020 £m	Balance 31 Mar 2021 £m	Balance 31 Mar 2022 £m
Un-earmarked Reserves	17.4	15.4	15.4	15.4
Earmarked Reserves	52.7	53.8	66.7	26.2
Total revenue reserves	**70.1**	**69.2**	**82.1**	**41.6**
Dedicated Schools Grant (deficit)	**(3.6)**	**(4.6)**	**(10.6)**	**(20.3)**

166.It should be noted that the growth in the DSG deficit of £1 million in the first year of BCP was supressed by a £2.4 million council contribution that is no longer permitted and £2.4 million of mainstream school funding which in 2021/22 is limited to only £1.1 million.

167.To support the determination of the adequacy of these reserves, the Chartered Institute of Public Finance and Accountancy (CIPFA) have carried out some benchmarking on the level of reserves held by unitary authorities and identified that they tend to maintain unearmarked reserves between 5% and 10% of net revenue expenditure. For BCP this would mean maintaining such reserves at between £14 million and £28 million.

168.Having considered all matters and the known business requirements of BCP Council in 2021/22, the Chief Financial Officer is of the view that it is appropriate to set the level of unearmarked reserves at £15.4 million for the 2021/22 budget which is approximately 5.5% of the proposed net revenue expenditure for the year**.** This is consistent with the level of unearmarked reserves used in supporting the 2020/21 budget of the council.

169.The position will be kept under review throughout the remainder of 2020/21 to ensure the in-year position responds and reflects any new or changing risks as they emerge during the residual element of the current financial year.

170.Holding of unearmarked reserves at the lower end of the CIPFA recommend range is supported by the inclusion within the budget of a revenue base budget contingency. This contingency has been increased from £1.2 million, which represented 0.5% of the 2020/21 net revenue expenditure, to £3.6 million (1.3% of the 2021/22 net revenue expenditure) in reflection of additional operational risks associated with delivering services to our community as it recovers from a global public health emergency and the additional risks associated with robustness of estimates at this time. A separate £1.7m contingency is being held in respect of the ambiguity associated with the 2021/22 pay award.

171. Regarding earmarked reserves, it is estimated that their level will be increased from £53 million as at the 31 March 2019 to £67 million as 31 March 2021. The budget proposal indicates that they will be reduced with the estimate for the 31 March 2022 currently £26 million. It should however be highlighted that the government have allocated a significant number of specific grants in the current 2020/21 financial year to support either payments to businesses or specific projects and initiatives. Some of these resources will be spent in the 2021/22 financial year therefore any unused amounts as at the 31 March 2021 may need to be transferred between years via the councils earmarked reserves position.

172. The budget as proposed is also premised on the assumption that any changes between the provisional 2021/22 Local Government Finance settlement, issued in December 2020, and the final settlement due in early February 2021, will be addressed as a movement either to or from the base revenue contingency.

173. In proposing the reserves strategy as set out in Appendix 3, the Chief Financial Officer has been mindful of the need to;

a) Balance both the requirement to safeguard the organisation against the risk of future financial exposure in the midst of a public health emergency, which is not yet over, whilst also ensuring resources are not held unnecessarily in reserves and;

b) Identify opportunities for the council to re-direct available resources to support the delivery of key corporate priorities in 2021/22 and to assist the recovery of the local community and its economy.

Treasury management strategy

174. The council's treasury management strategy (TMS) is subject to regular review and was last reported to the Audit & Governance Committee for monitoring and update purposes in January 2021. The council is required to set its prudential indicators in the context of the overall strategy on an annual basis. The treasury strategy, practices and prudential indicators for 2021/22 are set out in Appendix 4 for approval by council.

175. A significant element of the TMS is the council's approach to balancing the risks associated with its need to borrow, namely;

a) *Credit Risk:* Which is the risk associated with an institution failing and the council's investment being reduced due to bank bail-in arrangements. An approach to managing this risk is to use internal balances before undertaking external borrowing which will also provide a better return for the council as the cost of borrowing exceeds any value the council could earn on these internal balances.

b) *Interest Rate Risk:* This is the exposure to interest rate movements on its borrowing and investments. The council is susceptible to upward movements in long term rates given the amount of borrowing still required over the next 5 to 10 years. At this stage the council anticipates long term interest rates remaining low for the foreseeable future but has structured several trigger points which would require reconsideration of such borrowing.

c) *Re-financing Risk:* Focuses on managing the exposure to replacing current financial instruments (borrowings) as and when they mature.

d) *Liquidity Risk:* This aims to ensure the council has enough cash available as and when needed.

176. The strategy is significantly influenced by the requirements of the devolved system of council housing (HRA) finance. This includes the operation of a two-pool approach to debt management with the debt of the HRA *(council house tenant account)* and that of the General Fund *(council taxpayers account)* separated. All external debt will be taken out by reference to the relevant pool although it should be noted that there will still be flexibility to transfer debt between the two if required.

177. The strategy is also required to set out the council's approach to the repayment of debt referred to as the minimum revenue provision (MRP). In this regard the council's approached is;

- a 2% straight line method for all supported borrowing capital expenditure incurred prior to 2016/17.
- the asset life method for all unsupported borrowing capital expenditure incurred prior to 2016/17. An average 25-year life will be used.
- a realignment of MRP charged to the accounts to recognise excess sums made between 2004 and 2016. Total MRP after applying the realignment will not be less than zero in any financial year.
- An asset life basis applied to capital expenditure schemes 2016/17 onwards.

178. A key change in the strategy for 2021/22 onwards has been the work to refinance capital schemes with the sole intention of releasing resources which can be used to support the general fund revenue budget. The approach being to borrow to finance these schemes over the life of the asset with examples being the ICT investment plan, the capital element of the transformation programme and the Poole Bay beach master plan. This approach is clearly different from the conventional approach previously adopted by the council however it will enable the council to match the cost of investment in capital infrastructure with its benefits.

179. In adopting this change in approach, the council needs to be satisfied that higher levels of debt are appropriate to the size of the authority, are affordable, and are financially sustainable over the period over which the borrowing will need to be repaid. While clearly this is very much a judgement call, the treasury management strategy included benchmark and comparison information replicated as Appendix 5a to this report. This indicated that as at quarter one 2020/21 BCP Council was towards the lower end of the spectrum of all unitary authorities in respect of longer-term debt as a percentage of the net revenue budget and per head of population. The benchmarking also demonstrated that BCP Council was previously using less borrowing to finance its capital programme than other unitary authorities. Appendix 5b also includes a schedule of additional borrowing the council is now committed to as part of the proposed capital programme.

180. As part of the process of considering funding options for future infrastructure projects the council will explore the use of community municipal bonds for projects specifically associated with the council's climate change and ecological emergency. The consideration process will only advise use of the bond from a value for money perspective if it can demonstrated that the bond rates can be secured at levels lower than those that can be obtained from the public works loan board, although such consideration will also reflect on the value associated with direct public investment and engagement into the project.

181. In addition, the treasury management strategy reflects that as part of the November 2020 spending review the government announced the outcome of consultation on reforms to Public Works Loan Board (PWLB) lending designed to end the use of PWLB for investment property bought by councils primarily for yield. Government consider this presents a risk for both national and local taxpayers. Their guidance stipulates that if a local authority wishes to borrow from the PWLB they must submit a high-level description of the capital spending and financing plans for the next three years to include;

- Details of how much they plan to spend in defined categories.
- A description of the projects.
- Assurance from the s151 officer that the authority is not borrowing in advance of need and does not intend to buy assets primarily for yield.

182. The outcome of the consultation goes on to state that PWLB borrowing can continue to be used to finance capital expenditure associated with service spending, housing, regeneration, preventative action and treasury management. If the government conclude a transaction was not an appropriate use of PWLB then the transaction will need to be unwound, and the government reserve the right to request that all loans are repaid in full along with applicable exit charges.

183. Because of the reforms the rates of PWLB borrowing were generally reduced by 1% from the 26 November 2020.

Housing Revenue Account (HRA)

184. A report on the HRA and rent setting is included as a separate item on the agenda for this meeting and should be considered alongside this report to councillors in setting the budget for 2021/22.

Chief Officers' Pay Policy Statement

185. Further to the provisions of the Localism Act 2011, the council is required to publish its local Chief Officers' Pay Policy on an annual basis for consideration by council before 31 March each year.

186. The council's pay policy has been duly prepared by the human resources and organisational development service and is attached as Appendix 7 to this report to ensure the council is able to consider it this year in accordance with the statutory timetable as prescribed by government.

Scheme of councillor allowances

187. The council is required to adopt an annual scheme of councillor allowances as specified under the Local Authorities (Members' Allowances) (England) Regulations 2003.

188. Council on the 24 November 2020 agreed a scheme of members' allowances for 2020/21 based on the following principles;

- No increase in the basic allowance for 2021/22 (frozen at £12,844)
- Linking any future increases to the local government national pay award but not starting before 2022/23.
- The Leader foregoing the additional leader special responsibility allowance (SRA) in full for the length of this term.

- The SRA of the ten Cabinet members reduced to £18,550
- The introduction of an additional SRA for Lead Members of £10,275
- An increase in the SRA for the Chairman of Licensing Committee to £10,275 be on par with the Chairman of Planning Committee.

189. As part of the proposed budget, provision has been made for a total cost of £1.4 million in 2021/22.

Consultation

190. Under Section 65 of the Local Government Finance Act 1992, councils have a statutory duty to consult with representatives of business rate payers on its proposed expenditure for the following year. Business leaders across Bournemouth, Christchurch and Poole were invited to attend a presentation held on 3 February 2021 on the budget for 2021/22 and Medium-Term Financial Plan from the BCP Council Leader, Chief Executive and the Chief Financial Officer.

191. The necessary additional resources, savings and efficiencies required to balance the budget over the next three years will each need to be reviewed to determine the extent to which they may require consultation. Consideration will also need to be given to the relevant period, stakeholder groups and method of consultation.

Alternative options

192. Section 50 of this report includes consideration of alternative Council Tax harmonisation strategies considered and rejected. There will however be numerous potential permutations.

Summary of finance and resourcing implications

193. In considering how appropriate the 2021/22 budget as proposed is at supporting the financial sustainability of BCP Council the councillors are advised to reflect on the following key issues;

a) The current level of uncertainty in the estimates used to produce the budget due to the global public health emergency.

b) The affordability of the investments into services bearing in mind approximately £30 million of one-off funding has been used in support of the 2021/22 budget such as those generated from the refinancing of the capital programme and review of inherited provisions. The extent to which these investments will continue to be affordable will clearly depend on future council tax decisions and the success in becoming more efficient and of the council's transformation programme. This should include a recognition that the financial implications of the £10 million capital investment in SEND will be a budget pressure of approximately £287,000 per annum over fifty years and the £50 million future fund investment will be £1.435 million per annum by year five, again over a fifty year period based on the current MTFP assumptions.

c) The ultimate reduction in the councils overall financial flexibility by utilising the £30 million of one-off funding.

d) A judgement has been made around the level of transformation savings which are in the process of being fully established, that should be included based on various levels of reassurance including direct assurance from the Corporate Management Board.

e) The extent to which the council's level of reserves is adequate to cover the level of risk it is currently facing.

194. Such a judgement by councillors should also reflect on the Medium-Term Financial Plan of the Council which, based on numerous professional judgements, indicates a £17 million funding gap for 2022/23 dropping to £7.5 million for 2023/24. It should be highlighted that the £7.5 million is after the assumed delivery of £56.3 million in transformation and service-based savings, after the recognition of various cost and growth pressures over the next few years, and after the assumption of a 4.99% council tax increases in 2022/23 and 1.99% in 2023/24.

Summary of legal implications

195. It is the responsibility of councillors to ensure the council sets a balanced budget for the forthcoming year. In setting, such a budget councillors and officers of the council have a legal requirement to ensure it is balanced in a manner which reflects the needs of both *current* and *future* taxpayers in discharging these responsibilities. In essence, this is a direct reference to ensure that Council sets a financially sustainable budget which is mindful of the long-term consequences of any short-term decisions.

196. As part of this final budget paper the Chief Financial Officer is required to make a report to the authority which deals with the robustness of the estimates and the adequacy (or otherwise) of the council's reserves.

Summary of human resources implications

197. There are no direct human resource implications from this report acknowledging that the consequences of the transformation programme on the councils staffing establishment have been considered as part of the June Organisational Design report to Cabinet and then Council. The 2021/22 budget and MTFP will have a direct impact on the level of services delivered by the council, the mechanisms by which those services are delivered and the associated staffing establishment.

Summary of environmental impact

198. Consideration has been given as part of this budget for 2021/22 of ways in which BCP Council could contribute to environmental improvements / targets and by example encourage this approach in those with whom it deals.

199. As outlined earlier in this report this budget proposes a £240,000 annual commitment in support of climate change and the climate and ecological emergency.

Summary of public health implications

200. The budget as proposed aims to assist the council and its community address the consequences of the global Covid-19 public health emergency which is not yet over.

201. The council is seeking to maintain appropriate services for vulnerable residents as well as improve the sustainability of services important for the wellbeing of all residents.

202. Significant allowance has been made for personal protective equipment to protect staff and residents in compliance with guidance issued by Public Health England.

Summary of equalities and diversity impact

203. An EINA has been undertaken in respect of the budget as proposed to identify the overall equality impacts in respect of the nine protected characteristics:

a) age;

b) disability;

c) gender reassignment;

d) marriage / civil partnership;

e) pregnancy/maternity;

f) race;

g) religion & belief;

h) sex;

i) sexual orientation.

204. The full EINA is included as Appendix 6 to this report.

Summary of risk assessment

205. A key element of the reorganisation of local government in Dorset was the opportunity to best protect public services as central government reduced the core funding it provides to local authorities and both the demand for, and cost of, local services continued to rise.

206. This report and the outlined actions will form part of the mitigation strategy associated with the risks to the delivery of the council's objectives due to the level of available resources.

207. Uncertainty caused by the pandemic will be a key risk in determining the adequacy of the budget as proposed. Reliance has been placed on the government's optimism in overcoming the spread of the virus as new vaccines are rolled out and their assumption that Covid-19 costs will start to decline from Easter 2021 onwards.

208. This will be compounded by the uncertainty associated with

a) the country's transition from the European Union.

b) the government's financial planning framework be that due to lack of a three-year national spending review or the delay in the new model of funding local government. Both will continue to be significant risks, as will possible variations to base assumptions due to demand or cost factors.

Background papers

c) The 2020/21 Budget and Medium-Term Financial Plan (MTFP) report of Bournemouth, Christchurch and Poole Council was approved on the 18 February 2020 and can be found at;

https://democracy.bcpcouncil.gov.uk/documents/g3726/Public%20reports%20pack%2012th-Feb-2020%2009.30%20Cabinet.pdf?T=10

d) BCP Cabinet – 27 May 2020 – BCP Council Finance Update

https://democracy.bcpcouncil.gov.uk/documents/s17294/BCP%20Council%20Finance%20Update.pdf

e) BCP Cabinet – 24 June 2020 – 2020/21 Budget Monitoring Report – June 2020

https://democracy.bcpcouncil.gov.uk/documents/s17802/Budget%20Rebase%20202021.pdf

f) BCP Cabinet – 11 November 2020 – 2020/21 Budget Monitoring & Medium Term Financial Plan (MTFP) Update

https://democracy.bcpcouncil.gov.uk/documents/s20366/202021%20Budget%20Monitoring%20MTFP%20Update.pdf

g) BCP Cabinet – 16 December 2020 –

https://democracy.bcpcouncil.gov.uk/documents/s21208/Quarter%202%20Budget%20Monitoring%20Report%202020-21.pdf

h) All these reports were subject to the overview and scrutiny arrangements established to support consideration of reports presented to cabinet by the Overview and Scrutiny Board. In addition, all councillors were invited to the Budget Café which was run on the 18 December 2020.

Appendices

Appendix 1a	Council Tax harmonisation strategy
Appendix 1b	Schedule of Council Tax by area
Appendix 2a	Budget summaries
Appendix 2b	Schedule of savings and efficiencies
Appendix 3	Reserves Strategy
Appendix 4	Capital Investment Programme detail
Appendix 4a	Turlin Moor Scheme
Appendix 5	Treasury Management Strategy
Appendix 5a	Unitary Authority benchmarking data in respect of debt and borrowing.
Appendix 5b	Schedule of additional borrowing
Appendix 6	Equalities Impact Needs Assessment (EINA)
Appendix 7	Chief Officers' Pay Policy Statement