



## BCP Medium Term Financial Plan

### Key Financial Planning Assumptions

The MTFP as presented is based on a number of 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;

#### a) Government funding

As referenced the Government have commenced work on their 2019 Spending Review (SR2019) which will outline the resources they intend to make available from 2020/21 onwards. At this stage there is no information available on the impact on any specific department (other than the National Health Service) or council. The financial planning assumption is of a cash freeze in the main grants received from Government be that our baseline funding resources, the previously announced Improved Better Care Fund resources, or the Adult and Children's Social Care grant announced as part of the 2019/20 Local Government Finance Settlement.

In addition and as a matter of prudence it has been assumed that the £3m relief provided within the 2019/20 settlement from the impact of negative Revenue Support Grant (negative RSG) as set out in the previous spending review will be for one year only. By implication this means that we are anticipating a reduced resource level will be reflected in the new resource distribution arrangements from 2020/21 onwards.

#### b) Council Tax

The current assumption is that the Governments annual referendum threshold will be 2.99% per annum from 2020/21 onwards. This is a revised assumption from the 1.99% per annum adopted for 2020/21 onwards in setting the 2019/20 Budget and which previously underpinned the Medium Term Finance Plan and as endorsed by the BCP Shadow Authority in February 2019. The previous Council Tax Harmonisation Strategy recognised that increasing the assumption of the annual referendum threshold would reduce the period of harmonisation.

The change now adopted recognises that the Government have used 2.99% per annum in each of the previous two years before consideration of the impact of any Adult Social Care precepts. The Council previously used 1.99% as this is the Government's previously stated norm and it was also the more prudent financial planning assumption.

By using this higher annual threshold as a basic assumption, the new BCP Council's revised Council Tax Harmonisation strategy is to reach equalisation over the next two financial years with 2021/22 being the first year a consistent level of Council Tax is charged across the conurbation. Allowing for the impact of the precept for Chartered Trustees in 2020/21 the proposed changes in each town would be as follows;

## BCP Council – Council Tax Harmonisation Strategy

### 2020/21 Financial Year

- Poole and Bournemouth = 2019/20 charges plus 2.99%, as adjusted for the impact of the Chartered Trustees precept.
- Christchurch = 4.5% reduction which is to a level of tax consistent with the 2021/22 estimate for Poole.

### 2021/22 Financial Year

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

### Harmonised Council Tax achieved in 2021/22

	2019/20	2020/21	Increase	2021/22	Increase
<b>Christchurch</b>	1,598.30	1,526.81	-4.47%	1,526.81	frozen
<b>Bournemouth</b>	1,473.40	1,515.35	2.85%	1,526.81	0.76%
<b>Poole</b>	1,441.53	1,482.48	2.84%	1,526.81	2.99%

The intent in harmonising Council Tax over the first three years of the new BCP Council would be to better align with the period services would expect to align service over.

Legislation will continue to allow the council to reflect on this methodology and potential consider the alternative of harmonising at the average council tax across the area in any year prior to 2026/27.

In adopting this approach the Council is accepting the risk associated with the underlying annual Government referendum threshold.

The Council will have the ability to continually reflect and challenge itself on its strategy prior to formally setting the 2020/21 Council Tax as part of next years Budget report to Council on the 18 February 2020.

### c) Business Rates

Our current financial planning assumption is for business rates resources to increase annually by the Consumer Price Index (CPI). This reflects the parameters set out by the chancellor in his October 2018 Budget 2018 and the narrowing of the gap between the Governments assessment of the BCP baseline finance settlement and actual levels of business rates income achieved.

This position will be kept under review in light of the announced move to a 75% Retained Business Rates model from 2020/21.

### d) New Homes Bonus (NHB)

BCP Council has achieved a New Homes Bonus (NHB) of £3.8m in 2019/20. The current indication is that this financial year will be the final year NHB is paid as Government look to explore how to incentivise housing growth as part of the next spending review. It has though been assumed that the replacement will provide resources equivalent to legacy payments already anticipated under the current system.

This means that we are anticipating £2m of such legacy resources being made available to BCP in 2020/21 which will be £1.8m less than the amount achieved in the current financial year.

#### **e) Adult and Children's investment**

The MTFP makes provision for an additional £18.9m investment in Adult and Children's services over the next 4 years being a combination of;

- 1) demographic growth in demand for care packages including those to support the urgent and emergency care system as well as preventing delayed discharges from hospital.
- 2) assumptions around specific inflationary pressures within the care market which have increased the cost of care between 6% to 10% in recent years.
- 3) the impact of the National Living Wage.

It has also been assumed that the absolute level of the Improved Better Care Fund (£11.3m) and the Adult and Children's Social Care grant (£3m) as received in 2019/20 will continue to be received over the MTFP time horizon. In addition it is hoped that the anticipated Green Paper on social care funding will provide sustainable funding for this service moving forward.

#### **f) Better Care Fund**

Introduced in 2013 the Better Care Fund (BCF) is a single budget shared between the National Health Services (NHS) and upper tier authorities to help them work more closely to try and shift resources into social care and community settings. The fund was designed to allocate NHS resources to adult social care in order to support more people at home, reduce delays in discharges from hospital and to prevent avoidable hospital admissions. It requires Clinical Commissioning Groups (CCGs) and local authorities in every area to pool budgets and agree integrated spending plans on how they will use their BCF allocations.

The two new Unitary Authorities for Bournemouth, Christchurch and Poole and Dorset have previously agreed with the Dorset Clinical Commissioning Group (DCCG) to split the previous pan Dorset Better Care Fund in two separate pooled budgets for the two new Health & Wellbeing Boards.

Although the 2019/20 allocations remain to be finalised it is estimated that the BCP Better Care Fund will be in the region of £61m. The DCCG will contribute approximately £42m of which £11m being passed to the BCP Unitary Council to support the delivery of Adult Social Care Services.

The BCP Council contribution is in the region of £18.9m and includes base budget resources (£2.7m), the Disabled Facilities Grant (£3.1m), the Improved Better Care Fund (£11.3m) and the Winter Pressures money for 2019/20 (£1.7m).

The MTFP assumes a continuation of these resource levels with the 2019 Spending Review and Adult Social Care Green Paper to provide clarification in respect of the future direction of travel.

### **g) Pay award**

Consistent with the actual outcomes for 2018/19 and 2019/20 the MTFP includes provision for a 2% baseline increase in employee costs as part of an annual pay award settlement. Further provision in certain services has been made where they have a significant staff base on the lower spinal column points which will be impacted by the application of the Living Wage.

Services are expected to manage the impact of any incremental drift in their pay base.

No provision has been made for the impact of a harmonised pay and grading structure for BCP Council.

### **h) Pension Fund Contributions**

In line with the advice from the actuary to the Dorset Local Government Pension Fund scheme, provision has been made for a 15.6% standard employer's ongoing pension fund contribution rate for all years from 2019/20 onwards.

In addition it is proposed to increase the £9.465m annual backfunding lump sum contribution, required to reduce the historical deficit on each predecessor councils position as admitted bodies within the pension fund, by £1.3m in 2020/21 and £0.7m in both 2021/22 and 2022/23. This reflects the arrangements agreed by the previous councils as part of the last 2016 tri-annual valuation. As 2019 is the next revaluation year then this assumption will be fully tested with the actuary before the budget for 2020/21 has been determined.

### **i) Inflationary costs**

Inflation is only provided for in service budgets where it can be demonstrated that it will be needed due to either market or contract conditions. Inflation as at March 2019 was 1.9% as measured by the Consumer Price Index (CPI).

### **j) Assumed Savings and Efficiencies**

As part of the process for setting a balanced budget for 2019/20 numerous savings, efficiencies and additional resources were assumed for future years. Generally these are where individual savings proposals were assumed to be implemented part way through 2019/20 so that a further sum is recognised in 2020/21 to recognise the annual effect or where various business cases have previous been agreed and implemented which will lead to future savings.

The 2020/21 financial strategy will require services to review the deliverability of these assumed savings and develop options for additional saving proposals for Member consideration.

### **k) Dedicated Schools Grant (High Needs Block Funding)**

The Dedicated Schools Grant (DSG) includes the provision of funding to support the specialist provision of services for children and young people with high needs. This includes 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.

The BCP budget for 2019/20 identified a £4.8m funding gap within the High Needs block of the DSG. Through joint working with the BCP Shadow Schools Forum approval was obtained to support this budget by transfers from other elements of the DSG

including a 2.2m (1.1%) transfer from the Schools Block and a £0.2m transfer of early years funding. This left a residual £2.4m which BCP Council agreed to contribution of £2.4m from its limited reserves.

Any contributions from the schools or early years funding can only be agreed on an annual basis. The contribution from BCP Council was very clearly articulated as a one-off as no such reserves exist moving forward.

Therefore a significant assumption underpinning the MTFP is that the Children's Services will work with the BCP Schools Forum to bring forward proposals for balancing the 2020/21 and future years High Needs Budget. The assumption is that we will also work together to address the inherited historical deficit on the account which was estimated as being up to £4.5m.