



BCP Financial Strategy 2022/23

1. A financial strategy is integral to the development of the overall organisational health of the council. Its aim is to detail how the council plans to finance its operations and meet its strategic priorities. The intent of the strategy is to set out the themes and categories the council will look to further develop as a means of delivering a balanced budget for 2022/23 and any underlying actions that need to be taken. The document will also support the approval of the medium-term financial plan (MTFP) and a positive value for money judgement for the authority.
2. The strategy will help BCP continue to build a culture of strong and effective financial management, a culture which has enabled the council to deliver;
 - a) a financial outturn which was within the parameters of its original budget for 2019/20. No mean feat for the first year of operating a new council created following the most complex local government reorganisation for 45 years and with only eight months' notice.
 - b) a financial outturn for 2020/21 which was within the parameters of its original budget for 2020/21. No mean feat for the second year of operating new council and a year impacted by the Covid19 global pandemic.

The council has and will clearly need to continue to harness the positive focus, goodwill and personal contribution from councillors and officers which enabled these outcomes to be achieved.

3. Good practice suggests that in considering its budget strategy local authorities should ask itself the following question "can the council balance its books without taking significant risks with taxpayers' money". If the answer is no, then the council should rethink its budget strategy and what is affordable and sustainable service levels.

Financial Context

4. In considering the development of the 2022/23 budget for BCP Council it will be important that it is within the context of a unitary authority which is currently only in its third year of operation with turnover of around £0.8 billion per annum and an annual net budget which for 2021/22 is £241 million per annum. It is also critical that consideration is given to the ambition and purpose of the council as expressed through what is referred to as the Council's Big Plan and the approved Corporate Strategy as well as the ongoing impact on the organisation's financial and non-financial resources of the global Covid-19 public health emergency.
5. Our Big Plan is our vision that the BCP city region will be world class and one of the best coastal places in the world in which to live, work, invest and play. This vision picks up many of the aspirational themes for the place from the original Local Government Reorganisation planning papers.
6. Our Big Plan is supported by five major projects which have 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 13,000 jobs across all sectors of our economy, creating wealth for our businesses and livelihoods for our families. The five projects can be listed as;

- **Investing in an iconic cityscape.** Demonstrating our pride through a positive and innovative image recognising the clean and green quality of both our urban and natural environments.
- **Investing in our seafront.** Enhancing what is already recognised as amongst the cleanest and most beautiful city region coasts in the world.
- **Rejuvenating Poole.** Bringing a vibrant, attractive and sustainable mix of residency, business, hospitality, retail, culture, and green spaces to the heart of Poole, the quay and the area between the two bridges.
- **Investing in the physical and digital infrastructure.** Designed to ensure that BCP has the best connectivity in the country, whether through superfast broadband and digital connectivity or through land, air, and sea transport.
- **Aim to deliver more than 15,000 new homes.** For all incomes, through both our own civic investment and by supporting and enabling developers to build homes with a mix of affordable and high-end apartments and houses.

These projects reflect the scale of the council's ambition for the area and enable the articulation of our vision with key regional and sub-regional partners and with government. These projects are underpinned by the work we will do to develop vibrant **communities**, to promote our **culture** and our leisure and entertainment offer, and to ensure the BCP city region becomes one of the best places in which **children** can live, learn, grow up and succeed.

7. The Big Plan is further supported by the BCP Corporate Strategy which 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 set out five council priorities and a commitment to become a modern, accessible, and accountable council committed to providing effective community leadership. These 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.

Figure 1: BCP Corporate Strategy



- The Corporate Strategy is promoted by an agreed set of core values and delivery plans which set out how the council will achieve the priorities.
- As with the 2021/22 budget any update of the medium-term financial plan needs to be cognisant of the legacy impact of the world's biggest public health emergency for a generation. Since March 2020 the Covid-19 global pandemic has required ongoing urgent and decisive action to support our community and maintain the integrity of the council's financial position and future sustainability.

Latest MTFP

- The intent with a medium-term financial plan is to set out the financial implications of the Councils Corporate Strategy, objectives, and policies and then to consider these against the resources projected to be available. This then provides a basis for service decision making. Although the statutory local authority budget process is an annual one a longer-term perspective is essential if the council is going to be able to demonstrate financial sustainability.
- Historically progress had been made with promoting effective medium-term financial planning through multi-year local government financial settlements from central government. Uncertainty due firstly to the national political landscape and then the impact of the public health pandemic has meant that a series of one-year local government financial settlements have been issued over the last few years.

12. As a relatively new council, setting the budgets in the first three years has been a challenge due to the lack of complete historical data and trend analysis information for the council as a single entity. What comparative information is available, comparing 2020/21 with 2019/20, will be distorted by the impact covid-19 had from March 2020 onwards. Looking forward to 2022/23 there will be even further uncertainty associated with the legacy impact of the public health emergency, its ongoing cost legacy, and the extent to which the council's income streams will return to pre-covid levels.
13. The current approved MTFP was as agreed by Council in February 2021 and can be summarised as follows;

Figure 2: February 2021 Approved MTFP

	2022/23 £m	2023/24 £m
Annual Funding Gap	17.0	(9.5)
Cumulative – Net Funding Gap	17.0	7.5

14. It is important that it is understood that this position is produced based on the following key assumptions;
- A 4.99% increase in council tax for 2022/23 (equivalent to £10.9m in extra revenue) and a 1.99% increase in 2023/24 (£4.3m in extra revenue). It should be emphasised that the 2022/23 potential council tax increase includes the 3% Adult Social Care precept deferred from 2021/22.
 - A 1.5% increase in the councils taxbase (number of band D equivalent properties) for 2022/23 and a 0.5% increase for 2023/24.
 - Total annual cumulative transformation savings of £25m underpinning the 2022/23 budget and £42.4m underpinning the 2023/24 budget.
 - Income levels generally returning to pre-covid levels from 2022/23 onwards. The MTFP is therefore premised on £12.3m of additional income generation in 2022/23 compared to 2021/22.
 - The harmonisation of BCP Council's pay and grading structures within a cost neutral framework.
 - A 2% pay award from 2022/23 onwards.
 - The drawdown of £2.1 million from the MTFP Mitigation Earmarked Reserve in 2022/23.
15. Appendix C to the substantive Cabinet report includes further details of the assumptions being used in support of the MTFP.
16. In terms of updating the MTFP it is recommended that the council prepares the financial strategy on what has been assessed as the most likely scenario (**Scenario A**). It is also worth reflecting that different scenarios are possible due to the considerable uncertainty that exists at this moment in time. To emphasise the point an alternative scenario (**Scenario B**) is summarised below;

Figure 3: Scenario B

£10.1m	Total MTFP pressure for 2022/23 based on scenario A
£3.1m	Fair Funding Review redistribution of resources. Assume no worse than the previous impact of negative revenue support grant (RSG) in the first year in a dampened formula arrangement.

- £2.2m Council Taxbase recovery post Covid19 not as high as modelled. A decrease to 0.5% would create a pressure compared to scenario A.
- £2.5m Income levels do not recover from Covid19 in the manner current anticipated. Revised assumption with improvement level of 80% rather than 100%.
- £0.9m Pay award moves to 2.5% rather than 2%.
- £6.3m Council does not achieve the £25m of assumed transformation savings currently being assumed in the 2022/23 Budget. Sensitivity on a 25% variation.

£25.1m Total Scenario B MTFP pressure

17. Figure 4 below sets out the latest MTFP position to 31 March 2024. It should be highlighted that the table shows the incremental changes, positive and negative, from the preceding year. It does not show absolute amounts although these are shown in Figure 5 below.

Figure 4: Latest MTFP Position (incremental terms) – Scenario A

21/22 £m	Additional Investment into Services	22/23 £m	23/24 £m	Total £m
13.0	Adult social care inc public health	10.9	10.6	21.5
7.2	Children's services	2.1	2.2	4.3
2.9	Environment and communities	0.8	1.8	2.6
1.4	Regeneration and economy	1.5	0.0	1.5
1	Resource services	0.2	0.2	0.4
13.7	Income impacted by COVID-19	(12.6)	(0.5)	(13.1)
1.8	Contingency - pay award	3.1	3.2	6.3
0.0	Pay Award additional 0.5% 21/22	0.9	0.0	0.9
2.4	Contingency	(1.6)	0.0	(1.6)
0.0	Core government funding changes	2.1	0.8	2.9
23.9	Transformation programme costs including borrowing	(23.6)	0.0	(23.6)
3.5	Transformation - ongoing revenue costs	0.5	0.5	1.0
1.7	Minimum revenue provision & interest payable	0.7	0.3	1.3
4.8	Corporate priorities	(1.6)	0.0	(1.6)
(1.2)	Investment related to the high needs deficit	0.0	0.0	0.0
(2.8)	Revenue contribution to capital	0.0	0.0	0.0
0.0	Contribution to unearmarked reserves	0.7	0.0	0.7
0.0	Corporate pressures	0.1	0.0	0.1
0.0	Pension fund – tri-annual revaluation impact	(0.1)	0.2	0.1
73.3	Total Additional Investment into Services	(15.9)	19.3	3.7
	Cumulative Investment into Services	(15.9)	3.4	

21/22 £m	Additional Resources	22/23 £m	23/24 £m	Total £m
(3.4)	Council tax – income	(10.9)	(4.3)	(15.2)
5.9	Council Tax Base	(3.4)	(2.3)	(5.7)
1.7	Business rates income	0.0	0.0	0.0
4.2	Collection fund – (surplus) / deficit distribution net of S31 grant	0.7	0.0	0.7
0.0	Use of reserves	(2.1)	2.1	0.0
(0.6)	NNDR 75% loss grant through reserves	0.0	0.0	0.0
(0.4)	Council tax 75% loss grant through reserves	0.0	0.0	0.0
(3.8)	Local council tax support scheme grant 2021/22	3.8	0.0	3.8
(1.7)	Sales, fees and charges compensation 2021/22	1.7	0.0	1.7
(1.1)	Top slice covid pressures grant 2021/22	1.0	0.0	1.0
0.0	Social care funding	0.0	0.0	0.0
0.1	Investment income	(0.5)	0.0	(0.5)
(25.2)	Refinancing of capital programme	25.2	0.0	25.2
(4.7)	Review of inherited resources	4.7	0.0	4.7
(23.6)	Transformation programme funding - capital receipts / reserves	23.6	0.0	23.6
(7.5)	Transformation savings	(17.5)	(17.4)	(34.9)
(13.2)	Service based savings	(0.3)	(0.4)	(0.7)
(73.3)	Total annual extra resource & savings	26.0	(22.3)	3.7
	Cumulative extra resources & savings	26.0	3.7	

Annual – Net Funding Gap	10.1	(3.0)	7.4
Cumulative MTFP – Net Funding Gap	10.1	7.1	

Figure 5: Latest MTFP Position (absolute & incremental terms) – Scenario A

	Adjusted Net Budget	MTFP	Net Budget	MTFP	Net Budget
	2021/22 £m	2022/23 £m	2022/23 £m	2023/24 £m	2023/24 £m
Adult Social Care <i>(Including Public Health)</i>	117.0	10.0	127.1	10.3	137.3
Children's Services	68.1	2.3	70.4	2.2	72.6
Environment & Community	50.2	0.4	50.6	1.9	52.5
Regeneration & Economy	18.6	(9.7)	8.9	(0.5)	8.4
Resources	33.8	(0.5)	33.4	0.1	33.4
Transformation Revenue Implications	3.5	0.5	4.0	0.5	4.5
Corporate Priorities	6.2	(1.7)	4.6	0.0	4.6
Net cost of services	297.5	1.4	298.9	14.4	313.3
Provision for repayment borrowing (MRP)	12.0	0.5	12.5	0.5	13.0
Pensions	5.5	(0.1)	5.5	0.2	5.7
Revenue contribution to capital	0.0	0.0	0.0	0.0	0.0
Interest on borrowing	3.2	(0.0)	3.2	(0.0)	3.2
Contingency	3.6	(1.9)	1.7	0.1	1.8
Contingency - pay award	1.8	4.0	5.8	3.2	8.9
Movement to and (from) reserves - inc unearmarked	0.7	0.7	1.4	0.0	1.4
Admin Charged to Grant Income	(0.4)	0.0	(0.4)	0.0	(0.4)
Use of Reserves - NNDR Section 31 Grant	(39.5)	39.5	0.0	0.0	0.0
Use of Reserves - NNDR 75% Loss Grant	(0.6)	0.0	(0.6)	0.0	(0.6)
Use of Reserves - Ctax 75% Loss Grant	(0.4)	0.0	(0.4)	0.0	(0.4)
Use of Reserves - MTFP Mitigation	0.0	(2.1)	(2.1)	2.1	0.0
Levies (Environment Agency / Fisheries)	0.6	0.0	0.6	0.0	0.6
Apprentice Levy	0.6	0.0	0.6	0.0	0.6
Revenue expenditure on surplus assets	0.2	0.0	0.2	0.0	0.2
Investment property income	(5.0)	0.0	(5.0)	0.0	(5.0)
Income from HRA	(1.2)	0.0	(1.2)	0.0	(1.2)
Interest on cash investments	(0.0)	0.0	(0.0)	0.0	(0.0)
Dividend income	(0.1)	0.0	(0.1)	0.0	(0.1)
Transformation Programme Costs	0.0	0.0	0.0	0.0	0.0
Transformation Saving Target 2021/22	(7.5)	(17.5)	(25.0)	(17.5)	(42.4)
Refinancing of Capital Programme	(25.1)	25.1	0.0	0.0	0.0
Review of inherited resources	(4.7)	4.7	0.0	0.0	0.0
Net Budget	241.1	54.3	295.4	3.1	298.5
Council Tax income	(214.5)	(14.1)	(228.6)	(6.9)	(235.5)
Net income from Business Rates	(56.4)	0.0	(56.4)	0.0	(56.4)
Revenue Support Grant	(3.0)	0.0	(3.0)	0.0	(3.0)
New Homes Bonus Grant	(2.6)	1.7	(0.8)	0.8	0.0
LCTS Grant 2021/22	(3.8)	3.8	0.0	0.0	0.0
Lower Tier Service Grant 2021/22	(0.4)	0.4	0.0	0.0	0.0
Sales, fees and charges compensation 2021/22	(1.6)	1.6	0.0	0.0	0.0
Top Slice Covid Pressures Grant 2021/22	(1.0)	1.0	0.0	0.0	0.0
Collection Fund (Surplus) / Deficit Distribution NNDR	40.3	(39.5)	0.9	0.0	0.9
Collection Fund (Surplus) / Deficit Distribution Council Tax	2.0	0.6	2.7	0.0	2.7
Total Funding	(241.1)	(44.2)	(285.3)	(6.0)	(291.4)
Annual – Net Funding Gap	(0.0)	10.1	10.1	(3.0)	(3.0)
Cumulative MTFP – Net Funding Gap			10.1		7.1

11. The key difference between the MTFP as set out in Scenario A and the position approved as part of the 2021/22 Budget report is the approach to the funding of the transformation programme. As part of the 2021/22 Budget the council endorsed the following financial commitment and profile of the transformation programme budget;

Figure 6: Approved Transformation Programme expenditure profile

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Total Expenditure	5.18	26.33	8.77	2.45	1.79	44.52

12. This overall commitment was scheduled to be funded as follows;
- £5.80m Capital via prudential borrowing
 - £13.81m Capital Receipts generated before 31 March 2022.
 - £12.90m Transformation Mitigation Reserve (*)
 - £12.01m Base Revenue Budget funding for the transformation agenda
 - £44.52m Total Transformation Programme approved investment**
- (*) noting that the preference would be for this drawdown to be avoided by the use of additional capital receipts.*
13. The approach to funding transformation has now been changed following an announcement by Government that they will extend the deadline for the Flexible Use of Capital Receipts policy by 3 years from 31 March 2022 to the 31 March 2025. This policy enables capital receipts to be used to fund transformation revenue expenditure incurred which produces long term savings or reduced service delivery costs. The standard statutory controls framework specifies that capital receipts can only be used to fund capital expenditure. The extension in the time period followed direct representation by BCP Council and other local authorities.
14. The announcement by government of the extension to Flexible Use of Capital Receipts (as set out in sections 9 and 10 of the report) and the financial outturn for 2020/21 combine to provide the option to refinance the programme as follows;
- £5.80m Capital via prudential borrowing
 - £5.11m Actual capital receipts generated in 2020/21
 - £17.46m Estimated capital receipts generated before 31 March 2025.
 - £14.15m Transformation Mitigation Reserve (*)
 - £2.00m Non-General Fund contributions
 - £44.52m Potential revised Transformation Programme approved investment**
- (*) noting that the preference would be for this drawdown to be avoided by the use of additional capital receipts.*
- In essence it is now proposed to finance the £12.01m due to be financed from the revenue budget of the council (£7.77m 2022/23, £2.45m 2023/24, £1.79m 2024/25) from capital receipts. This reduces the net MTFP funding gap in those years by these amounts.
15. In respect of the robustness of this £17.46m requirement for capital receipts, £11.02m is scheduled for delivery from 2021/22 onwards. This leaves £6.44m to be identified in line with the Net Asset Generation element of the financial strategy as set out later in this report. It should also be highlighted that the capital receipt can be generated at any time in the period to 31 March 2025 provided a temporary funding source exists to provide an interim funding solution. Based on the following updated profile of spend, as well as the potential to utilise the Transformation Mitigation

Reserve, it is not then envisaged that the council will have to deliver the residual capital receipt value before 2023/24.

Figure 7: Updated Transformation Programme expenditure profile

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Total Expenditure	1.50	22.61	12.00	6.37	2.05	44.52

16. Additional differences within the latest MTFP position include;

- The improvement in the 2020/21 financial outturn and the resources transferred to the MTFP Mitigation Reserve mean there are additional resources available to support the 2022/23 budget.
- The additional annual contribution to unearmarked reserves as set out in section 22 of this document.
- The extra cost pressure of up to £101k per annum for establishing a multi-disciplinary team and homeless health centre, as per the 26 May 2021 Cabinet report. This pressure is subject to ongoing work to refine the amount by consideration of the commissioning model and third-party contributions.
- The financial implications of the Council Sustainable Fleet Management Strategy and Fleet Replacement Programme set out as a separate report on the June 2021 Cabinet agenda.
- Potential for a 1.5% local government pay award for 2021/22 as per the offer made on the 17 May 2021 by the National Local Government Employers organisation to the trade unions. As part of the base budget revenue contingency provision was made for the equivalent of a 1% award which by implications requires a further provision of 0.5% to be recognised moving forward.

17. In developing the budget strategy for 2022/23 the Council has been reflective of the outcomes of the CIPFA Financial Resilience index and other financial benchmarking. In that respective four areas are particularly pertinent and have been used to shape the budget strategy and MTFP as set out as follows;

- 1) **Level of unearmarked reserves.** As a matter of prudence, the proposal is to improve the level of unearmarked reserves held so the Council can position itself in the middle compared to all upper tier authorities including unitary, county, and metropolitan authorities. Undertaking this analysis as a percentage of net revenue expenditure ensures the relative size of the council is considered. The approach as set out in Appendix D is to move to this position over the five years of the MTFP which is the period it is proposed to extend the plan to when it is refreshed during the summer. The appendix shows that the council currently has unearmarked reserve of 5.4% with 6.1% representing the mid-point. Increasing our unearmarked reserves to this level will require an extra £3.56m to be set aside which over a five-year period equates to £0.71m per annum. Appendix E provides the relevant benchmarking analysis.
- 2) **Self-imposed levels of debt as set out by the Councils Capital Financing Requirement (CFR).** Such levels are a requirement of the CIPFA Prudential Code and link into the prudential indicators agreed by Council as part of its annual Treasury Management Strategy. Again, the intention is to move to the mid-point of all upper tier authorities as a percentage of net revenue expenditure. Such an approach has enabled the Council to determine that it has debt headroom of £212 million compared to its 31 March 2024 forecast position. This provides the parameters for the additional amount available to the Council to support its regeneration and big plan ambitions. This amount is additional to the £184 million already set aside via prudential borrowing in the capital programme to support service delivery, housing and regeneration schemes over

the next three years such as those the being delivered to increase its housing stock and the schemes being delivered by the Bournemouth Development Company (BDC). The Audit and Governance Committee will be requested to endorse the approach as part of the development of the 2022/23 Treasury Management Strategy. Appendix F provides the relevant benchmarking analysis.

- 3) **Net Asset Generation.** Under this approach it is clear that the Councils intention is to buy, build or create assets with an overall value of £396 million more than those held as at the 31 March 2021. An approach which presents a compelling business case to support the release of assets no longer needed for service delivery, regeneration or housing. This approach will support the delivery of the capital receipts required to fund the transformation programme.
- 4) **Adult Social Care Use of Resources Assessment.** The Council has used John Jackson the National Care and Health Improvement Adviser, Finance and Risks to undertake a use of resources assessment by the council's adult social care services. In benchmarking our spend in areas such as younger adults, older people and proportion of spending funded by the NHS it is proposed to identify the potential for reductions in third party spend or the amount directly spent on care and support costs.

18. Below are the current key elements of a potential financial strategy for 2022/23.

Delivering the transformation programme savings

19. 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.
20. Council on the 7 July 2020 and 23 February 2021 subsequently agreed to the extension of the project to a £44.52 million investment 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. The 2021/22 Budget report set out that £42.4 million has now been hardcoded into our MTFP as our minimum expectation of savings over the period to 31 March 2024 with the accumulating savings target being £7.5 million in 2021/22, £25.0 million in 2022/23 and £42.4 million in 2023/24. It should also be highlighted that these savings targets;
 1. are the key driver of the council's financial sustainability.
 2. are separate from any associated LGR/transformational savings delivered as part of either the 2020/21 or 2021/22 budgets.
 3. should be delivered from the following areas (based on KPMG original business case);

45%	Third party spend
26%	Customer contact
13%	Enabling functions
12%	Service redesign. This will include the review models for the delivery of the councils housing stock and to consider a future consistent operating model.
4%	Cost recovery or the alignment of fees and charges policies across all services, benchmarked to those charged by other local authorities.

21. The 2021/22 in-year budget monitoring reports will set out the progress in delivering the £7.5 million transformation savings target for the current financial year. However, it may be worth identifying that just over £10 million of the accumulated £25 million savings target for 2022/23 has currently been itemised.

Transformation estates and accommodation project

22. The delivery of the council's Estates and Accommodation Strategy will enable the organisation to reduce its exposure to a large and inefficient office accommodation estate, whilst at the same time supporting the development of single council identity where staff work in modern and flexible ways, delivering services that are transformed in order to be as customer focused and as financially efficient as possible.
23. The first phase of the project is the creation of the BCP Council Civic Centre and administrative hub based at Bournemouth Town Hall and the relocation of the customer service offer to local libraries which will enable modern ways of working whilst bringing Council services closer to their communities. Cabinet and Council in November 2020 agreed a £6.6 million budget for this work comprising of £5.7 million in capital costs funded through prudential borrowing and £0.9 million in one off revenue costs. After taking account of the principle and interest repayments on the borrowing this investment should enable annual savings from running the previous civic estate of over £1 million per annum from 2022/23 onwards.
24. As part of the second phase of the project the Council has appointed Avison Young to support us with a Portfolio Review and Estate Framework workstream which is designed to help us define our future core estate requirements. This work stream will help us define the physical estate we need to support all future service delivery and corporate objectives, alongside considering future estate management arrangements by determine an appropriate Corporate Landlord Model for the Council. In doing so assets no longer required will be identified which will then be put forward, either for regeneration or for disposal (subject to a compelling business case).

Driving out value from land and building assets

25. The ambition to pass on more assets to future generations than we have inherited by driving regeneration underpinned by the ability to obtain low borrowing rates from the public works loan board for such activity. This will be facilitated by the establishment of an Urban Regeneration Company (URC) to give this ambition specific drive, energy, and focus.

Non-transformation service-based savings

26. The table below sets out an analysis of the £41.2 million of total savings and efficiencies for 2019/20 (£11.2 million), 2020/21 (£9.4 million) and 2021/22 (£20.6m) that have been used in support of the budgets set for each of those three financial years.
27. 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. Explicitly they also include £7.5m in assumed savings from the transformation programme.

Figure 8: 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)

28. 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.

29. As part of the financial strategy supporting the 2022/23 budget of the council services are encouraged to continue to deliver non transformation service-based savings and efficiencies. This includes driving down the cost of services and the cost / demand pressures currently included in the MTFP. The approach should continue to be supported by benchmarking the cost of services with other unitary councils.

Financial Management Framework

30. Through the continuation of the strong financial management framework as supported by Portfolio Holders, Directors, and budget holders ensure delivery of services within the parameters of the 2021/22 Budget.

31. All employees must obtain prior approval for any expenditure it is proposed to incur connected to Covid19 which it is proposed be funded from the drawdown of the tranche 5 (2021/22) unringfenced government Covid19 grant allocation.

32. All employees must obtain prior approval from the Corporate Management Board to incur any expenditure not provided for within their 2021/22 base revenue budget.

33. As part of this workstream monthly budget overview meetings will take place during 2021/22 to consider progress on issues such as the transformation, capital receipts, and key financial health indicators. This will be supplemented by the separate High Needs Recovery Board

34. A key element of this monitoring will be determining the extent to which the sales, fees and charges income streams are recovering from the adverse impact caused by

Covid-19. Consideration will also need to be given to any specific actions that can be taken to aid this recover.

Annual refresh of the MTFP

35. Fundamental annual refresh of the MTFP for each service with an intention to extend the plan to cover a five-year time horizon (to the 31 March 2027). This will include a review of the 2020/21 financial outturn to determine the extent that future base revenue budgets should be adjusted recognising the uncertainty caused by covid-19.

Pay and Grading Harmonisation

36. The council continues to have a workstream working to deliver a harmonised pay and grading structure with the current work plan indicating that the new structure will become effective from January 2022.
37. The ongoing assumption continues to be made that this new pay and grading structure for BCP Council will be cost neutral.

National and Regional Monitoring / Government Lobbying

38. Financial planning is difficult at the best of times let alone at a time when the country hopefully emerges from a global pandemic and outside of a clear financial planning framework from government. Such a framework is normally provided by three- or four-year government spending reviews which set the departmental spending limits and although not at a local authority level provide a degree of certainty and stability for the council's own financial planning. The last multiyear spending review ended in 2019/20 and one-year spending rounds/reviews were issued in support of the 2020/21 and 2021/22 local government finance settlements. It is hoped that a longer-term spending review will be issued for 2022/23.
39. In addition, ministers have announced that they are still keen to implement the Fair Funding Review (FFR) but are reluctant to make commitments about the timescale. The FFR is about a wholesale reform of how Councils are funded. It will essentially propose a new "needs" assessment for each local authority, then make a deduction based on the amount of council tax that each authority could collect ("resources"). It is anticipated that there would be a transitional period with "dampening" arrangements applied. Certain existing specific grants are expected to be transferred into the need's assessment such as the Improved Better Care Fund, Social Care Support grant and the Public Health grant. To accommodate the funding of these changes the governments intent is to make changes to business rates and other funding streams which includes the possibility of moving to a 75% business rates retention model.
40. Monitoring of these and other national policy developments alongside any local sector specific announcements will be a key requirement in constructing the budget for 2022/23. This will include those associated with the Fair Funding Review, 75% business rates retention, future funding of social care and the pay award
41. As part of this workstream the council will continue to encourage the government to meet the original commitment from Robert Jenrick the Secretary of State for Housing, Communities and Local Government that promised councils will get all the resources they need to cope with the pandemic. A commitment evidenced by the governments comprehensive package of support towards 2020/21 and first quarter of the 2021/22 budgets.

Investment in assistive technology

42. Consider the extent to which investment in assistive technology can be used to improve service delivery and be used to reduce the ongoing cost of service provision for example in adult social care.

Ongoing review of the capital programme financing and provisions

43. Continue into phase 2 of the workstream with a particular emphasis on the review of 2020/21 and future years capital programme commitments that alternatively could be financed by the application of community infrastructure levy and s106 resources.
44. In addition, no opportunity should be missed in respect of refinancing the capital programme via prudential borrowing.

Deficit recovery plan Dedicated Schools Grant and High Needs Budget

45. A key consideration in assessing the adequacy of the council's reserves is the need to continual be alert to the risk associated with the deficit on its Dedicated Schools Grant (DSG) with specific reference to the high needs budget. 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 earmarked 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.
46. The resources in this financial liability earmarked 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 2020. 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.*
47. This means that the council cannot now contribute to the deficit, cannot hold a reserve to act as a counterweight and has been 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.
48. Current projects show the projected DSG funding gap to be £15.7 million per year by 2023/24 equivalent to 28% of estimated annual government funding of £56 million. Consequentially the associated level of accumulated deficit will be approaching £43 million (over 75% of annual funding) by that year. The projected deficit over the period 2021/24, if current trends in demand and funding continue, is shown below.

Figure 9: Actual/Projected High Needs Budget deficits

DSG Funding	Balance 1 Apr 19 £m	Balance 1 Apr 20 £m	Balance 31 Mar 21 £m	Balance 31 Mar 22 £m	Balance 31 Mar 23 £m	Balance 31 Mar 24 £m
Annual Shortfall		1.0	3.3	8.3	11.3	15.7
Deficit	(3.6)	(4.6)	(7.8)	(16.1)	(27.4)	(43.1)

49. A new High Needs Recovery Board chaired by the Chief Executive and attended by the Leader and relevant Portfolio Holder has been set up to examine this budget in greater detail and to look for solutions.
50. The clear risk will be in respect of the approach, and expectations, of government once the period of the statutory instrument comes to an end, namely the position for the 2023/24 financial year. If the Council is required to act as previously and set aside resources to act as a counterweight then the financial sustainability of the council would be challenged at that point bearing in mind the profile of its reserves are projected to be as set out below. It would though be hoped having taken the stance they have between the 1 April 2020 and 31 March 2023 that the government would not adopt such a position.

Figure 10: Profile of council reserves

	Balance 1 Apr 19 £m	Balance 1 Apr 20 £m	Balance 31 Mar 21 £m	Balance 31 Mar 22 £m	Balance 31 Mar 23 £m	Balance 31 Mar 24 £m
Un-earmarked Reserves	17.4	15.4	15.4	15.4	16.1	16.8
Earmarked Reserves	52.7	42.7	93.6	47.1	31.2	31.4
Total reserves	70.1	58.1	109.0	62.5	47.3	48.2
Covid19 Reserves	0.0	11.1	60.2	3.5	0.0	0.0
Total reserves	70.1	69.2	169.2	66.0	47.3	48.2

Reserves

51. Consideration will be given as to extent to which the 2022/23 Budget can and should be supported by any available reserves with specific reference to any available financial resilience earmarked reserves. By doing so this will enable a further period of recovery to prevent unnecessary adjustments to service delivery standards being made.
52. As part of this process the Council should continue to take all available opportunities to protect and further support the financial resilience earmarked reserves.

Investments in Council Priorities

53. As part of the 2021/22 Budget the council made a £7.2 million gross investment in council priorities as set out below;

Figure 10: 2021/22 Budget and MTFP Council Priorities Investments

	2021/22 £000's	2022/23 £000's	2023/24 £000's
Regeneration	1,750	1,750	1,750
Economic Development - Recovery	250	0	0
Cultural – Previous allocation	500	500	500
Cultural – Bounce-back	250	250	250
Highway Maintenance	1,155	1,155	1,155
Street Cleansing	453	453	453
Housing Delivery Strategy & predevelopment feasibility costs	300	300	300
Community Safety Accreditation Officers (6 posts)	240	240	240
Poole Park Railway	7	7	7
Youth Anti-Social Behaviour Officers (2 posts with 50% PCC)	50	50	50
Beach Cleansing	61	61	61
Health Hub	20	20	20
Mental Health Workers (2 posts)	80	80	80
Youth Parliament	25	25	25
Community Engagement Strategy (ABCD)	50	0	0
Climate Change	240	240	240
Unauthorised Encampments	50	0	0
Planning	250	0	0
BBF Bus	45	0	0
ABCD / Communities	70	70	70
Community Match Funding	100	0	0
Regional Growth Fund	35	0	0
Lake Pier Toilets	20	20	20
Officers (Bid writing and data)	50	50	50
Christchurch Feasibility Study	50	0	0
Assistive Technology	60	0	0
Beach Widening Feasibility	25	0	0
Education Catch Up	1,000	0	0
Sub Total – Gross Expenditure	7,186	5,271	5,271
Contribution from Additional Restrictions Grant	(250)	0	0
Contribution from the Pothole Grant towards highways maint.	(700)	(700)	(700)
Total - Net	6,236	4,571	4,571
Variance		-1,665	0

54. As part of the annual budget process these commitments will be reviewed and will potentially be amended in line with developing priorities.

Adam Richens - May 2021