# BCP Medium Term Financial Plan

## Key Financial Planning Assumptions

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

### 1. Adult Social Care

The MTFP makes provision for an additional gross £40.7m million investment in adult social care services over the 5-year period to March 2027. This pressure is a combination of;

1) Assumptions around inflationary pressures within the care market. These pressures mainly relate to increases for providers in staffing costs where a significant driver will be the consequential impact of increases in the national living wage.
2) Demographic growth within the learning disability and mental health client group.
3) Demographic growth in demand for care packages for people with long-term conditions including those to support the NHS urgent and emergency care system as well as preventing delayed discharges from hospital.
4) Loss of rental income from a care home closure.
5) Increased cost of community equipment.
6) 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 National Living Wage will be increased by 6.6% from £8.91 per hour to £9.50 per hour from April 2022 for individuals aged over 23.

The NMW remains a key driver for the cost of care services and has been factored into the cost pressures increasing 5% per year to reach £10.50 by 2024 then 2% per year for subsequent years.

Costs associated with the Home First (Discharge to Assess) programme are assumed to be fully funded by the NHS for both care and administrative burdens.

The social care grant provided since 2020/21 is assumed to continue along with all other social care funding.

In the 2021 spending review, the Chancellor announced that additional funding will be made available for social care reform (£3.6bn over 3 years to implement "the cap on personal costs and changes to the means test"). It is assumed that this funding will cover the additional burden and therefore nil impact to the council's pressures.

**Appendix B**

Further £1.7bn will be allocated over 3 years "to improve the wider social care system" and £500m will be made available to "improve" the social care workforce. BCP await confirmation of the detailed allocation and eventual funding conditions.

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 continues to be that the council do not need to provide for and fund such costs.

While there have been specific NHS funding schemes, extended to March 2022, to cover the costs of care following hospital discharge, there is a longer-term cost burden to BCP beyond the initial 4-week post-discharge period funded by the schemes. The average cost of care home placements commissioned since the beginning of the pandemic under emergency hospital discharge arrangements have increased significantly during 2020/21 and 2021/22. The increases in average costs are as a consequence of market conditions and the intensity of needs of many people who are being placed in residential and nursing care. Home care packages are higher after the 4-week hospital discharge funded period because not all clients can fully recover independence after leaving hospital.

Although the hospital discharge scheme is due to end on 31 March 2022, it is likely that higher market costs and higher hospital discharge demand will continue as a result of Covid infections and the enduring impact of the pandemic on the health and social care system.

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) expected to commence in April 2022. These arrangements describe the procedures necessary to deprive people of their liberty as a result of lack of capacity to consent to their care arrangements. The council will commit spending on this activity up to any amount funded by the government.

**2. Children's Services**

The proposed budget for children's services 2022/23 makes provision for an additional £10.1 million. There are 3 main categories:

1. *Cost of care:*

a) rebasing of the budget to allow for the increased numbers of young people requiring higher cost residential settings seen during the beginning of the calendar year 2021 and continuing into financial year 2021/22.

b) growth to fulfil the staying put legislation. This is where fostered young people have the right to stay with their foster families when they reach 18 (up until the age of 21).

c) growth to allow for cases in addition to the current children in care numbers, split between various care type settings (residential/independent fostering agency).

d) assumes further work will be undertaken with Health organisations to seek contributions where appropriate.

2. *Staffing:*

a) allowance of £3m for agency staff, £2m of which represents agency cost for 20 team managers full time equivalent (FTE) and 40 social workers FTE. The additional £1m is to cover the current higher than average use of agency in social care whilst the service continues along its improvement journey.

b) an additional front door team is required (22/23 only) to continue to manage the significant increase in referrals and assessments following the pandemic.

c) there is a required adjustment of £1 million to offset historic pressures in various teams within children's services (specifically business support and the team managing the care recording system pending migration to one system following LGR).

3. *Transport:*

a) cost of SEND transport is directly linked with the increasing number of EHCPs and the pressure that continues in the high needs block of the DSG. SEND transport is however not funded by the DSG and instead the responsibility falls to the general fund. The service is reviewing how this service is delivered and the MTFP assumes a reduction in the cost base of providing the transport element.

Following confirmation from DfE the MTFP reflects improvement funding to offset an element of agreed staffing within the base establishment. This has been awarded for 2021/22 & 2022/23 only.

There is also an increase in budget for SEND (agreed by Cabinet) to develop the service following the local area inspection of SEND and the required written statement of action.

### 3. Place Operations

The proposed place operations budget for 2022/23 makes provision for £5.5 million reduction in budget compared to 2021/22.

*Assumed Service Pressures*
Recent issues with the national supply chain and the shortage of qualified staff has resulted in a need to increase salary budgets by an estimated £0.57 million in order to retain and recruit into business-critical roles.

The council's waste contracts require an additional £0.65 million to cover inflation pressures. The increasing cost of electricity and gas will have a significant impact on place operations, and across the service there is an estimated £0.43 million pressure. Fuel inflation has resulted in a pressure of £0.24 million in relation to the council's fleet. There is an additional item in relation to the switch from diesel to hydrotreated vegetable oil (HVO) for the council's fleet which will increase costs by £0.05 million.

In May Cabinet approved the establishment of a multi-disciplinary team and a homeless health hub, the annual revenue running costs of this are £0.1 million.

As part of last year's budget setting process a provision of £0.28 million was made in 2022/23 for re-tendering contracts for the disposal of organic and residual waste. These contracts have now been completed and this provision is no longer needed. The final agreed tender has resulted in an estimated cost saving against current budget of £0.26 million.

Due to the anticipated reduced number of eligible journeys the budget for concessionary fares is being reduced by £0.35 million.

There are various other smaller service pressures totalling £0.4 million across place operations services.

*Covid Pressures and Savings*
In setting the budget for 2021/22 many services across the whole of place operations were allocated one-off reductions in income targets or increases in expenditure. In 2022/23 these one-off allocations are being removed. In some cases, the return to pre-pandemic budgets is being re-profiled as recovery is expected to take more than one financial year. Overall, the re-

profiling or removal of Covid related provisions will reduce the net budget requirement of Place Operations by £7.24 million. A significant element of this total relates to car park income.

*Assumed Service Savings*
A number of small, assumed service savings or increases in income have resulted in a reduced budget requirement of £0.48 million.

The increased pension rate for 2022/23 generates a pressure of £0.33 million across place operations services.

## 4. 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 2021/22 made no provision for a pay increase in 2021/22. This reflected the position at the turn of the year which saw big falls in wages 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 accorded 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 always 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 2021/22 base revenue budget contingency considered 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. Therefore, the contingency provided the equivalent of a 1% pay award.

UNISON, GMB and Unite lodged their 2021 pay claim for local government employees which sought a substantial increase with a minimum of 10% for all staff, a shorter working week, additional annual leave, alongside other changes to terms and conditions.

On the 17 May 2021 the National Local Government Employers organisation made an offer to the unions of a pay increase of 1.5% from 1 April 2021. Subsequently this was increased to 1.75%, which the trade unions have rejected. The latest position is that the employers have confirmed that their offer remains at 1.75%.

The separate 2021/22 budget monitoring report to December Cabinet reflects on the potential consequences of the requirement to make a further provision for 2021/22 of 0.75%. This extra amount is also included as a base budget pressure for 2022/23 onwards.

Assumed pay awards for future years are based on the inflation rate estimate for the preceding September. The Consumer Price Index for September 2021 was 3.1% and will therefore be used for 2022/23. Future year estimates is based on the 2% inflationary target set for the Monetary Policy Committee (MPC) by the government.

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

The council continues to have a workstream working to deliver a harmonised pay and grading structure. The current assumption continues to be made that this new pay and grading structure for BCP Council will be cost neutral.

5. **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.

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

The Restriction of Public Exit Payments Regulations 2020 came into force on 4 November 2020. This limited 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.

In a surprise move in February 2021, HM Treasury published a Treasury direction which disapplied these regulations and issued guidance on how exit payments which were capped during the period when it was in force should be handled. It appears that after an extensive review of the cap it became clear that there was a risk that it may have unintended consequences which were out of line with the Government’s original policy intent.

In a renewed commitment to meet the original policy objective fairly and effectively the Government requested details all redundancy payments, pension strain costs and other special payments made as a consequence of termination of employment or loss of office from 2014/15. They then arranged for this information to be published which is additional to its inclusion in the Council's Annual Statement of Accounts.

The council's average redundancy cost (including pension strain costs), per full time equivalent, since its inception is £55,284.

The transformation programme budget makes provision for £12.9 million in redundancy costs in reflection of the anticipated reduction in the staffing establishment over the next few years.

7. **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 September 2021, which is applied or factored into several contractual uplifts, was 3.1% as measured by the (CPI) Consumer Price Index.

The government inflation target is 2% on an annual basis.