CABINET

Report subject	**Finance Strategy Update** Report
Meeting date	26 October 2022
Status	Public Report
Executive summary	In response to the Councils request for a £76m Capitalisation Direction covering a three-year period, the Department of Levelling Up, Housing and Communities (DLUHC) issued a minded to £20m offer for 2022/23 only, subject to various conditions. This included the requirement for the Council to produce a full plan for addressing its budget gap in 2023/24 and share that with DLUHC by the end of September 2022. It was subsequently acknowledged this position would be set out in this October report. This report demonstrates that the Council has made further good progress in prudently positioning itself to deliver, and also sets out how it would achieve, a balanced budget for 2023/24. The challenge now will be translating this work into a detailed implementation workstream and strength testing the deliverability of the assumptions that have been made particularly those around service savings and efficiencies and to avoid double-counting savings across the transformation programme. In addition, the report sets out that work is now being undertaken to determine if the Council can avoid drawing down on a capitalisation direction for 2022/23 by bringing forward in the region £20m of non-strategic asset disposals by 31 March 2023.
Recommendations	**It is RECOMMENDED that Cabinet:** **1) Acknowledges the materially improved financial position for 2022/23 which is now expected to produce a surplus of at least £7.8m, excluding transformation costs. This is in the context of an additional c£25m of in year cost of living pressures.** **2) Acknowledges the plan to deliver a balanced budget for 2023/24 and that its deliverability will now be tested as part of the implementation process.** **3) Authorises officers to commence the work to ensure the deliverability of the budget including any necessary consultations as required.**

	4) Acknowledge the intent to consider the extent to which a capitalisation direction can be avoided in 2022/23 by bringing forward the disposal of non-strategic assets. **5) Agree that the current expenditure controls remain in place to generate additional in-year savings.** **It is RECOMMENDED that Council:** **6) Approve £1.9m of investment in 2022/23 in a specific transformation workstream in Children's Services as set out in appendix A.** **7) Approve the further release of earmarked reserves as set out in appendix C.**
Reason for recommendations	Further to a recommendation agreed by Cabinet on the 7 September 2022, an update on the Councils financial strategy will be a standing item on the Cabinet agenda until such time as there is a balanced budget for 2023/24.
Portfolio Holder(s):	Councillor Drew Mellor, Leader, and Portfolio Holder for Finance & Transformation
Corporate Director	Graham Farrant, Chief Executive
Report Author	Adam Richens, Chief Finance Officer, and S.151 Officer adam.richens@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Decision

Background

1. Further to reports to Cabinet on the 22 June, and the 7 and 28 of September 2022 it has been established that the Council needs a revised financial strategy for funding the cost of its Transformation Investment Programme, net of any already assumed capital receipts, and for balancing the revenue budgets in the short and medium term.

Figure 1: Transformation Investment Programme

	22/23 £m	23/24 £m	24/25 £m	Total £m
One-off costs	15.6	3.7	1.9	**21.2**
Base budget staff costs apportioned to Transformation	6.7	6.7	6.7	**20.1**
Redundancy costs	1.2	10.4	0.7	**12.3**
Data & insight capability	1.4	0.4	0.0	**1.8**
Contingency	0.4	0.4	0.7	**1.5**
Core Transformation Programme	**25.3**	**21.6**	**10.0**	**56.9**
Children's services transformation programme *(not budgeted)*	2.0	5.0	5.0	**12.0**
Adult Services transformation programme *(not budgeted)*	2.0	5.0	5.0	**12.0**
Capital Receipts - already delivered	(1.9)	0.0	0.0	**(1.9)**
Capital Receipts - scheduled and assumed deliverable	(7.4)	(3.7)	(1.1)	**(12.2)**
Transformation Investment Programme	**20.0**	**27.9**	**18.9**	**66.8**
Pay and Reward project - Implementation cost			9.1	**9.1**
Capitalisation Direction - Total Investment Programme	**20.0**	**27.9**	**28.0**	**75.9**

It should be emphasised this programme includes £6.7m of base revenue budget staff costs assumed as being rechargeable to the programme in the three years 2022/23 to 2024/25.

2. Following dialogue with government, as part of the Exceptional Financial Support programme, DLUHC issued a “minded to” decision to provide the Council with a £20m Capitalisation Direction for 2022/23 subject to the following conditions.

   - The Council produces a full plan for addressing its budget gap in 2023/24 and beyond and share that with DLUHC by the end of September 2022. This plan should utilise all the resources available to the Council to close the budget gap, be fully within the spirit and intent of all local government guidance and aim to eliminate any exceptional financial support required going forward.
   - An external assurance review of the Council’s finances and governance arrangements in the Autumn of 2022.

3. Additionally, like all local authorities the Council has had to deal with the implications of rapidly increasing inflation driven by the post pandemic economic environment, the war in Ukraine, and government fiscal policies. It is therefore important to consider the council’s financial strategy and position in the context of the significant funding gaps being signalled by all local authorities as a sector at this time.

4. As part of the 28 September 2022 Finance Update Report, Cabinet endorsed a financial strategy focused on traditional financial management process and designed to enable the Council to set a balanced budget for 2023/24 and beyond. These workstreams were listed as.

   a) Financial Outturn.

   The aim being to deliver a surplus in 2022/23 which can be used to create resources (via an earmarked reserve) which then can be drawn down in support of the 2023/24 budget. This process should be facilitated by a previous Cabinet decision not to undertake any new financial commitments until such time as there is a balanced budget for 2023/24.

b) Transformation Programme.

Review proposed expenditure to ensure it is absolutely necessary to deliver the key essential elements of the programme, costs associated with service enhancement are avoided, and processes are adopted to avoid or reduce redundancy costs.

c) Non-Strategic Asset Disposals.

Establish a schedule of non-strategic assets disposals which can be used, via the Flexible Use of Capital Receipts (FUCR) statutory guidance, to fund, as a minimum, the £17.9m 2023/24 and £8.9m 2024/25 of Council approved revenue transformation expenditure (net of the current approved capital receipts). In addition, the ambition, will be to fund an additional £10m of investment in both 2023/24 and 2024/25 in the Children's and Adults' specific transformation programmes subject to the presentation of robust business cases which demonstrate both budget savings and adherence to the statutory guidance. This gives a target receipt of a minimum of £26.8m and a maximum requirement of £46.8m over the two year from April 2023 to 31 March 2025.

d) Accommodation Strategy.

Fundamental review of buildings occupied by BCP Council with a view to further consolidating the staff in the Civic Centre and considering future options for owned buildings or passing back leasehold properties as soon as practical.

e) Commercial Opportunities.

In line with the approved recommendation of Cabinet on 7 September 2022, explore options across the council to deliver revenue through further commercialisation.

f) Staff Cost Base

Consider several proposals designed to reduce the employee cost basis of the authority either temporary or permanently, including.

- Increase the percentage of the employee establishment not budgeted for 2023/24 from 2% to 5%.
- Determine extent to which vacant posts can be held or permanently removed.
- Limit the use of agency employees.
- Bring forward at pace a council wide apprenticeship programme.

It should be noted that any savings in staff or third party will, in the first instance, be considered as part of the programmed transformation savings.

g) An Enabling Council – Strength Based Approach

Consider the extent to which the community would be better placed to manage council assets and the services delivered within them through volunteers and other sources of funding.

h) Invest to Save

Consider robust self-financing business cases that utilise the council's ability to borrow to invest in capital infrastructure which additionally will drive down operational costs or avoid demand pressures.

i) Harmonisation of Services

The Council has ambitions to harmonise all services across the conurbation following on from Local Government Reorganisation. Good progress has been made. The proposal now is to review all outstanding areas of harmonisation with an intent to eliminate as many areas of difference as possible, within the budget parameters

j) Integrated Care System

Advance ongoing discussions with the representatives of the new Integrated Care System (who represent the delivery of National Health Services across Dorset) with a view to determining how the two organisations can more effectively work together with a view to driving down the overall costs of the system.

k) Review of Earmarked Reserves and Company/Third Party Balances

Annual review of earmarked reserves to ensure funds are not being tied up unnecessarily and were appropriate being released to support the proposed budgets of the council.

l) Capitalisation – Recharges

Further review of any costs currently charged to revenue which in line with the Local Authority Accounting Code of Practice can be legitimately charged to capital. Similarly, consideration should be undertaken to ensure robust arrangements are in place regarding costs apportioned/charged against government grants and the housing revenue account.

m) Review of the Council's Collection Funds

A fundamental and detailed review of the collection funds, both Council Tax and Business Rates, as the position starts to stabilise in a post pandemic environment.

n) Influence and Lobbying

This includes requesting government support the council in managing the financial consequences of the cost-of living crisis as well as changing legislation or allowing local authorities to increase appropriate statutorily set fees (such as penalty charge notices for car park enforcement), or where the fee does not cover the cost of the service provided, and charges in reflection of previous and future forecast rates of inflation.

o) Service Rationalisations

Consideration of services that the local authority is not required to provide and any expenditure on services that it is required to provide which is above the statutory minimum.

Updated Medium Term Financial Plan

5. The 28 September Cabinet report set out the previous MTFP position assuming the council meets the conditions for the 2022/23 £20m capitalisation direction further to the minded to offer from DLUHC.

Figure 2: Cabinet 28 September forecast MTFP Position

	23/24 £m	24/25 £m	25/26 £m	26/27 £m	Total £m
Annual - Net Funding Gap	16.4	2.0	(3.0)	(1.1)	14.4
Cumulative MTFP - Net Funding Gap	16.4	18.5	15.5	14.4	

6. Figure 3 below sets out the current MTFP updated for the work carried out since the 28 September Cabinet report. As a reminder to councillors, the following MTFP variance charts show changes in the revenue budgets, on an annual basis, either positive numbers which represent additional costs to be met, or negative which represent forecast cost reductions or additional income. The variances are shown in the year in which they are expected to be first seen and are then assumed to recur on an ongoing basis in each of the following years. One-off changes will be seen as an entry in one year and will then being reversed out in a following year. For example, it is currently assumed to use £7.8m from the forecast outturn for 2022/23 in support of the 2023/24 budget.

7. From the table it can be demonstrated that the Council has identified the potential actions that now will be necessary to balance the 23/24 budget based on the current assumptions. These assumptions will need to be constantly reviewed in the hope that the service and cost of living pressures can be lowered from those currently predicted which in turn will mean that not all of the service-based savings will need to be implemented. That said, the work required to enable delivery of these service-based saving will now need to start in earnest which will include consideration of any necessary stakeholder and staff consultation or engagement.

   The service-based savings and efficiencies are presented above and below a sub-total line. The reason for this is to emphasise that although a lot of these savings will be challenging for an organisation, those below the line will be more challenging and this should be set in the context of further workstreams including conversations with our health colleagues, detailed work on our current vacancies as well as at least the potential to receive some support from government in relation to the £55m of Cost of Living pressures we have been faced with over 2 years.

   It can therefore be summarised that the balanced position for 2023/24 is achieved after £42.6m in savings and efficiencies made up of £9.6m of currently unitemised transformation related third party spend savings, £0.6m of currently unidentified savings in Children's Services, and £32.4m of itemised service-based savings and efficiencies of which £4.6m are noted as being more challenging.

   For scaling purposes, the £42.6m of total savings and efficiencies amount to 16% of the Councils £272m Net Revenue Expenditure.

Figure 3: Funding Gap for 2023/24 (Updated MTFP Position)

Adjustments to the cost of services	23/24 £m	24/25 £m	25/26 £m	26/27 £m	Total £m
Adult social care and public health	18.8	13.5	8.2	8.7	**49.2**
Adult social care reforms	12.8	17.2	2.6	0.0	**32.6**
Children's services	14.6	8.4	9.0	9.6	**41.6**
Operations	9.3	4.3	1.9	1.5	**17.0**
Reversal of securitisation of income stream proposal	(3.7)	0.0	0.0	0.0	**(3.7)**
Resource services	(0.6)	1.4	0.5	0.4	**1.7**
Staff costs being charged to transformation prior 25/26	0.0	0.0	6.7	0.0	**6.7**
Capitalisation direction 22/23 cost of capital & interest repayments	0.0	0.0	0.0	0.0	**0.0**
Transformation base revenue budget costs	1.1	0.0	0.0	0.0	**1.1**
Transformation redundancy costs that cannot be charged against FUCR	2.1	(1.9)	(0.1)	0.0	**0.1**
Corporate priorities one-offs for 2022/23	(8.2)	0.0	0.0	0.0	**(8.2)**
Pay related costs	8.3	3.8	3.8	3.8	**19.7**
Pay and grading project	0.0	9.1	(4.5)	0.0	**4.6**
Contingency	0.2	0.1	0.0	0.0	**0.3**
Debt and capital adjustments	(0.1)	(0.1)	(0.3)	(0.1)	**(0.6)**
Treasury Management & Investment income adjusted disposals	(1.6)	1.4	(0.1)	0.0	**(0.3)**
Total adjustments in respect of cost of services	**53.0**	**57.2**	**27.7**	**23.9**	**161.8**
Adjustments in respect of resource levels					
Council tax – revenue - 2.99% per annum (1.99% basic + 1% SC precept)	(6.8)	(7.1)	(7.4)	(7.7)	**(29.1)**
Council tax - taxbase	(3.0)	(2.6)	(1.3)	(1.3)	**(8.2)**
Council tax - second homes 100% premium	0.0	(5.3)	0.0	0.0	**(5.3)**
Council tax - empty homes premium after 1st rather than 2nd year	0.0	(0.9)	0.0	0.0	**(0.9)**
Collection fund – (surplus) / deficit distribution net of S31 grant	4.7	(2.6)	0.0	0.0	**2.1**
Government core grant funding changes	0.8	0.0	2.5	0.0	**3.3**
Assumed social care reforms funding	(12.8)	(17.2)	(2.6)	0.0	**(32.6)**
Assumed additional social care grant funding	(3.1)	(2.7)	(2.7)	(2.7)	**(11.2)**
Reserve Funding - One-off funding supporting 2022/23 budget	36.1	0.0	0.0	0.0	**36.1**
Reserve Funding - Removal of COMF contribution 2022/23 priorities	1.0	0.0	0.0	0.0	**1.0**
Reserve Funding - Improved outturn 2021/22 to support 23/24 budget	(14.2)	14.2	0.0	0.0	**0.0**
Reserve Funding - Redirect earmarked reserve to support 23/24 budget	(5.3)	5.3	0.0	0.0	**0.0**
Reserve Funding - Assumed surplus 2021/22 to support 23/24 budget	(7.8)	7.8	0.0	0.0	**0.0**
Total previously assumed adjustments in resource levels	**(10.4)**	**(11.1)**	**(11.5)**	**(11.7)**	**(44.8)**
Assumed additional savings, and efficiencies					
Unitemised Transformation savings	(9.6)	(17.8)	0.0	0.0	**(27.4)**
Following transformation, further net FTE reductions	0.0	0.0	(7.2)	0.0	**(7.2)**
Scheduled service based savings (include. Adults, Children's, Transformation)	(27.8)	(5.4)	(2.6)	(3.0)	**(38.8)**
Unidentified Adult Social Care savings (2.99% growth restriction)	0.0	(3.0)	(3.1)	(3.5)	**(9.6)**
Unidentified Children's savings (2.99% growth restriction)	(0.6)	(5.4)	(6.5)	(7.0)	**(19.5)**
Total assumed annual extra savings and efficiencies	**(38.0)**	**(31.6)**	**(19.4)**	**(13.5)**	**(102.5)**
Sub Total - Annual – Net Funding Gap	**4.6**	**14.5**	**(3.2)**	**(1.3)**	**14.6**
Sub Total - Cumulative MTFP – Net Funding Gap	**4.6**	**19.1**	**15.9**	**14.6**	
Scheduled service based savings (includes Adults, Children's, Transformation)	(4.6)	1.3	(0.3)	0.1	**(3.5)**
Annual – Net Funding Gap	**(0.0)**	**15.8**	**(3.5)**	**(1.2)**	**11.1**
Cumulative MTFP – Net Funding Gap	**(0.0)**	**15.8**	**12.3**	**11.1**	

8. This updated 4-year MTFP position will move BCP Council onto a significantly more sustainable footing at a time when there is significant uncertainty across the sector with many authorities publicly questioning their ability to balance 23/24 budgets without external support. This should be set in the context of this Council being challenged with cost-of-living pressures current estimated to be around £25m in 22/23 and £30m for 2023/24. Collectively a £55m impact over the two-year period since the 22/23 budget was set in February 2022.

9. The key variances from the position as set out in the 28 September 2022 report to Cabinet include.

   a) Further improvement in the forecast outturn for 2022/23. Analysis of these further variances, which amount to a £3.7m increase in the surplus, now mean that the overall surplus for the year is predicted to be £7.8m and is presented as Appendix D to this report.

      This improvement includes the assumption that Council will agree to charge £1.9m to the Children's Services specific transformation programme in 2022/23 as set out in Appendix A. This expenditure is principally £1.5m of costs previously included in the forecast outturn for 2022/23 which delivers transformation related savings, that are now included in the budget proposals for 2023/24, and therefore can be refinanced either via the capitalisation direction or alternatively via the flexible use of capital receipts. The total £1.9m includes £400k of expenditure yet to be incurred regarding the building stronger foundations. Business cases for future transformation funding to support the savings assumptions previously hardcoded into the MTFP based on a 2.99% restriction in their growth will be brought forward in due course.

      To aid the delivery of a surplus in 2022/23, this report recommends the continuation of the existing expenditure control that no new financial commitments are made (other than with the specific agreement of the Chief Finance Officer in consultation with the Portfolio Holder for Finance) until the 2023/24 budget is formally set in February 2023.

   b) An additional proposal for redirecting earmarked reserves as set out in Appendix C.

   c) Review of the assumptions underpinning the MTFP. For example, the latest position includes a further pressure of £0.1m per annum, as advised by Public Sector Audit Appointments (PSAA), regarding a 150% increase in the external audit fee level from next financial year.

   d) Review of staff cost base costs including a refinement of the vacancy drag estimate and review of vacant posts that do not need to be replaced etc.

   e) The investment in care technology as per the business case that is presented elsewhere on this Cabinet agenda.

   f) Recognising the intent to avoid the need to draw down on a capitalisation direction in 2022/23 by bringing forward the disposal of Non-Strategic Assets. Confidential Appendix B provides details of these assets. Council will only be formally asked to dispose of the assets once officers have explored the feasibility of delivering within the required timeframe and prior to formal sale.

   g) Service efficiencies and changes which have been identified at this time and subject to further work to determine any constraints around their implementation for 1 April 2023 onwards. For example, certain proposals will need consultation with stakeholders such as the public or employees.

Reserves

10. Councils generally hold two main forms of reserves.
11. **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
12. Analysis included in the June MFP Update report to Cabinet showed that on a net revenue expenditure (NRE) basis despite a £0.7m additional investment as part of the 2022/23 budget the percentage dropped to 4.7% which puts us on the lower side of the median, and below the level 5% previously recommended minimum used by the Chartered Institute of Public Finance and Accountancy (CIPFA).
13. The council's financial strategy continues to be to increase the unearmarked reserves by £0.7m per annum.
14. **Earmarked Reserves:** *are set aside for specific purposes including those held in support of various partnerships where the council is the accountable body, reserves committed to supporting the 2022/23 budget of the Council, reserves which represent government grants received in advance of the associated expenditure, 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.*
15. As set out in Figure 5 below the Council had earmarked reserves of £114m as at the 31 March 2022. Off this the majority (£40m) relates to government grants received in advance of the actual expenditure including £18m specifically to mitigate the impact that various Covid business rates reliefs will have on the council's business rates collection fund. It should also be borne in mind that the 2022/23 budget assumed that £36m would be drawn down from the Financial Resilience and Transition/Transformation earmarked reserves to finance the approved level of expenditure.
16. The financial strategy supporting the development of the 2023/24 budget, as referenced earlier in this document, sets out the intention to constantly challenge each of the earmarked reserves to ensure that funds are not being tied up unnecessarily. The intention from the review is where appropriate to release these resources to support the proposed budgets of the council. This approach will though need to acknowledge the relationship with the growing deficit on the Dedicated Schools Grant.

Figure 5: Latest Reserve Forecast

	Balance Actual 31/3/21 £m	Balance Actual 31/3/22 £m	Balance Estimate 31/3/23 £m	Balance Estimate 31/3/24 £m	Balance Estimate 31/3/25 £m	Balance Estimate 31/3/26 £m	Balance Estimate 31/3/27 £m
Un-earmarked Reserves	15.3	15.3	16.0	16.7	17.4	18.1	18.8
Earmarked Reserves	153.8	114.4	35.1	13.9	12.5	12.6	12.8
Reserves Established to support the 2023/24 Budget							
Cost of Living Mitigation from 21/22			14.2	0.0	0.0	0.0	0.0
Redirected Earmarked Reserves			5.3	0.0	0.0	0.0	0.0
Assumed 2022/23 surplus			7.8	0.0	0.0	0.0	0.0
Total General Fund Reserves	**169.1**	**129.7**	**78.4**	**30.6**	**29.9**	**30.7**	**31.6**
Dedicated Schools Grant (1)	(7.8)	(20.3)	(37.0)	(62.2)	(99.5)	(149.9)	(215.7)
Dedicated Schools Grant (2)	**(7.8)**	**(20.3)**	**(37.0)**	**(57.6)**	**(80.2)**	**(102.3)**	**(121.7)**
Net Position DSG1 – (Deficit)	**161.3**	**109.4**	**41.4**	**(31.6)**	**(69.6)**	**(119.2)**	**(184.1)**
Net Position DSG2 – (Deficit)	**161.3**	**109.4**	**41.4**	**(27.0)**	**(50.3)**	**(71.6)**	**(90.1)**

Please note that the forecasts for the accumulating deficit on the Dedicated Schools Grant (DSG) has not yet been updated based on the output of the first module of the Delivering Better Value (DBV) in Special Educational Needs and Disability Programme. In addition, it is hoped that the later modules of this programme will indicate how this deficit could/should be addressed.

Options appraisal

17. This paper builds on the previous recognition of material changes to the risk profile of the 2022/23 budget and MTFP. This includes significant costs pressures associated with the cost of living, changes to the FUCR statutory guidance, messages from the Secretary of State around ensuring authorities also adhere to the spirit and intent of legislation, and the government being minded-to offer the council a £20m capitalisation direction for 2022/23.

The “minded to” offer of a £20m Capitalisation Direction for 2022/23 is an opportunity for the council to avoid bringing forward further capital receipts or resources currently earmarked in support of the 2023/24 budget to fund the cost of its transformation programme in the current financial year. This offer is contingent upon the Council meeting the conditions of the offer letter. Conversations with officers at DLUHC indicate that there is a strong likiehood that the external assurance review of the Councils finances and governance arrangements will still proceed regardless of whether the Council signals an intention not to take the capitalisation direction.

Conclusion

18. Cabinet has prudently positioned the council to deliver a balanced budget for 2023/24. The forecast funding gap has reduced from £36.4m to £16.4m to now

zero through finding efficiencies and service reductions that can be delivered to reduce expenditure. Work will now commence on ensuring the deliverability of the assumed savings including any necessary public or employee consultation, to ensure that the savings are delivered by 1 April 2023 so that the full year effect of the saving is achieved.

The balanced budget position should be seen in the context of the funding gaps being signalled by all local authorities at this time be that due to demand pressures or due to the impact of the cost of living.

Work is also now required to determine the feasibility of bringing forward £20m of non-strategic asset sales by the 31 March 2023 to avoid drawing down on the capitalisation direction, if possible.

Despite having moved to the assumption in the current drafting of the budget MTFP of the council not drawing down on the Capitalisation direction Cabinet still welcome the external governance and finance assurance reviews that were a condition of the capitalisation direction and are in dialogue with DLUHC with expectation that these will be commissioned later in October.

Summary of legal implications

19. The council has a fiduciary duty to its taxpayers to be prudent in the administration of the funds it holds on their behalf and an equal duty to consider the interests of their community which benefit from the services it provides.

20. 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.

21. As a billing authority, failure to set a legal budget by 11 March each year may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999. It should however be noted that the deadline is, in reality, 1 March each year to allow sufficient time for the council tax direct debit process to be adhered to.

Summary of human resources implications

22. There are no direct human resource implications of this report. However, the MTFP and budget 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.

23. This report acknowledges that the transformation programme and the actions necessary to manage future years funding gaps are likely to have an impact on future staffing levels.

Summary of sustainability impact

24. There are no direct sustainability implications of this report

Summary of public health implications

25. There are no direct public health implications of this report.

Summary of equality implications

26. A full equalities impact assessment will be undertaken as part of the final February 2023 report to members as part of the annual budget process.

Summary of risk assessment

27. The risks inherent in the 2022/23 budget were clearly set out in the February 2022 Council budget report for 2022/23. This and the previous June and September finance reports to Cabinet recognised a change in the risk profile and recommends appropriate mitigation to maintain a balanced budget for 2022/23 and make a material impact on the potential funding gap for 2023/24. Key risks include.

Capitalisation Direction.

Not presenting a full plan to balance the 2023/24 budget to DLUHC would have jeopardised the Councils ability to achieve a £20m capitalisation direction in 2022/23. This would have meant either additional in-year capital receipts needing to be generated (which the Council will now test the feasibility of achieving) or utilising the resources currently supporting the balancing of the 2023/24 budget. The second of these would impede the ability to set a legal, balanced budget for 2023/24. Associated with this would have been at least the possibility of direct government intervention in the council.

Accumulating Deficit on the Dedicated Schools Grant

Accumulated and growing deficits on the dedicated school's grant which by the 31 March 2024 will be greater than the total reserves available to the council. Unless the current regulation that allows the council to ignore this position is extended this will mean the councils s151 Officer, and probably may others nationally, will be required to issue a s114 notice for 2023/24.

BCP FuturePlaces Ltd

The Council have committed a £8m working capital loan to BCP FuturePlaces Ltd a wholly owned teckal company established to drive the Councils regeneration ambitions. They recover expenditure incurred principally by being paid for successful business cases approved by the Council. The £8m working capital loan represents about 50% of the council's current unearmarked reserves.

Adults & Children's Services: Unidentified Savings

The MTFP as set out in Figure 3 includes an assumption that Children's Services will deliver £0.6m in, yet unidentified savings in 2023/24. In addition, there are further annual unidentified savings across Adults and Children's Services which grow to £29m per annum for 2026/27. This assumption is based on a 2.99% annual growth restriction in Adults and Children's services included in the February 2022 budget report and is aligned to the intended £10m investment in a specific service-based transformation programme in these service areas in both 2024/25 and 2025/26 to deliver the savings presumed by the growth restriction.

Transformation Investment Programme: Unitemised Savings

As at the date of this report the Council has delivered £7.1m (82%) of the £8.7m annual transformation savings target that was set with £1.6m remaining to be delivered. Looking forward to 2023/24 the MTFP assumes an additional £10m of annual transformation savings (£18.7m cumulative annual total). This further £10m is identified against a third party spend workstream but the savings are yet to be itemised against relevant budget headings.

Uncertainty

The only certainty at this moment in time is uncertainty. There are currently high levels of financial planning unpredictability caused by the cost-of-living crisis and constant changes and variations to the costs of goods, materials and services required to deliver council operations.

Potential Public Spending Reductions

The Chancellor is due to set out his plans for the public finances, accompanied by an assessment from the Office for Budget Responsibility (OBR), on 31 October 2022. There is currently differing views as to whether the government are likely to stick to the spending plans for 2023/24 and 2024/25 as set out in the Spending Review 2021 (SR21). The indications are that should spending cuts be implemented then local government would not be protected.

Social Care Reforms

These reforms will levy significant new responsibilities on local authorities as well as introducing a cap on care costs. There is a significant risk that the Government grant will be insufficient to cover the full cost associated with these reforms and the staffing needed to enable their delivery.

Background papers

28. February 2022 Budget report to Council.

    Appendix 3 s25 Reserves Report CFO.

    https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=284&MId=4812&Ver=4

29. June 2022 MTFP Update report to Cabinet.

    https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5011&Ver=4

30. Finance Update (including Quarter One 2022/13 Budget Monitoring) report to 7 September 2022 Cabinet.

    https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5013&Ver=4

31. Addendum to the 7 September 2022 Finance Update (including quarter one budget monitoring) report to Cabinet.

    https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5013&Ver=4

32. Finance Strategy Update report to 28 September 2022 Cabinet.

    https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5014&Ver=4

Appendices

A Children’s Services costs charged to transformation in 2022/23

B Schedule of Non-Strategic Asset Sales (Confidential)

C Further Review of Earmarked Reserves

D 2022/23 Additional Variance Analysis