



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 – Service Pressures £18.8m (16% increase over 2022/23 budget)

The MTFP makes provision for an additional gross £49.2m investment in adult social care services over the 4-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 (NLW).
- 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 (part year).
- 5) Increased cost of community equipment.

There has been no firm announcement regarding the increase for the National Living Wage from April 2023. In June, the Local Government Association (LGA) issued the 'Financial pressures facing Adult Social Care 2023/24 and 2024/25' document, where they communicated that based on the low-pay-commission consultation-2022, they estimate the NLW to increase to £10.32 per hour in April 2023 and to £10.95 from April 2024.

The NMW remains a key driver for the cost of care services affecting 70% of the cost of providing personal care therefore, it has been factored into the cost pressures increasing 8.6% from April 2023 and 6.10% from April 2024 as suggested by the LGA projections above, then 2% for the remainder of the MTFP period.

The remaining 30% of the cost of providing personal care is driven by other inflationary factors.

The LGA provided a lower general inflation estimate of 2.4% in 23/24 and 1.7% in 24/25 (based on Office for Budget Responsibility (OBR) assumptions) and a higher estimate of 7.5% in 23/24 and 5% in 24/25.

The Adult Social Care pressures highlighted by the LGA are being experienced locally with residential care cost increasing above the estimates from the LGA during the current financial year and requiring market management.

The composite increase for the cost of providing personal care assumed in 23/24 is 8.5% of the total personal care budget.

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

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) which was expected to commence in April 2022. These arrangements describe the procedures necessary to deprive people of their liberty because of lack of capacity to consent to their care arrangements. The implementation of the new scheme has been postponed yet again and we await further announcements. The council will commit spending on this activity up to any amount funded by the government.

2. Adult Social Care Reforms – Service Pressure £12.8m (and £12.8m assumed income)

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”).

The MTFP assumes that the funding will cover the additional burden and therefore nil impact on the council. However, national high-level estimates indicate that there could be a potential gap between £2.5m and £5.5m when compared to estimated funding based on BCP relative need formula and consultation options.

A further £1.7bn in government funding is also due to be allocated over 3 years “to improve the wider social care system” and £500m to “improve” the social care workforce.

BCP await confirmation of the funding allocations and any associated conditions as well as further announcements on the possibility that the cap on personal cost and changes to the means test may be postponed.

3. Children’s Services – Service Pressures £14.6m (20% increase over 2022/23 budget)

The MTFP makes provision for an additional gross £41.6m investment in children’s services over the 4-year period to March 2027. This pressure is a combination of

1) Care:

- a. the service has seen a rise in the numbers of children in care since the beginning of the financial year and the increasing complexity of children needing placements. The national picture of the care market evidences significant sufficiency issues and this, in addition to the cost-of-living crisis, has prompted providers to increase their fees.
- b. In addition to the growth budget there is a required adjustment of £1.977m to offset the previously agreed CSC health contribution which is not achievable.

2) Staffing:

- a. The Children’s Social Care workforce at BCP is in crisis because of the national shortage of social workers, the rising number of social workers choosing to be employed by agencies and competitive salaries being offered by neighbouring authorities and surrounding authorities being rated good and outstanding whilst Children’s Services at BCP is rated inadequate.
- b. Whilst a recruitment retention strategy has been developed and is due to be implemented it will take time for the ratio of agency/permanent workers to reduce and stabilise and the service remains heavily reliant on agency workers. There has been a significant rise in the cost of agency workers with difficulty attracting to this area due to the high cost and limited available of overnight accommodation during the peak tourist months.

- c. The MTFP allows for the continuation of previously agreed non-recurring growth for agency premium and an additional team in the front door. The continued demand in the front door services has meant that the service will be unable to run without this continued resource.

3) Transport:

- a. cost of SEND transport is directly linked with the increasing number of education, health, and care plans (EHCP's) and the pressure that continues in the high needs block of the dedicated schools grant (DSG).
- b. SEND transport is however not funded by the DSG and instead the responsibility falls to the general fund budget of the council.
- c. There was a previous savings target associated with SEND transport which is proving problematic so the 2023/24 allows for the removal of the saving and additionally growth to allow for the continued pressure.

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

The DfE Improvement funding confirmed for 2022/23 was for 2021/22 and 2022/23 as is removed as part of the 2023/24 MTFP.

There is also a small reduction in the budget relating to the SEND written statement of action as per the agreed profile of spend.

4. **Operations – Service Pressures £8.5m (15.1% increase over 2022/23 budget)**

Assumed Service Pressures

The cost-of-living pressures have had a significant impact on operations budgets. Gas and electricity costs in particular have resulted in a pressure across the service of £4.6m in 2023/24. Street lighting has been affected the most by this increase and they are actively working on scenarios to decrease usage across BCP.

Fuel inflation has resulted in a pressure of £0.2 million in relation to the council's fleet, and an additional £0.1m on general diesel costs. A revised prudential borrowing pressure of £1.8m in relation to the Council's fleet has also been included in 2023/24, to ensure that the rolling programme of fleet vehicles is maintained.

The crematorium income has suffered since the COVID pandemic, and this has led to a £0.6m pressure in 2023/24.

Homelessness emergency accommodation has a cost pressure of £0.8m. In previous years the homelessness prevention grant of £1.8m per annum has been supplemented by utilising reserves designated for homelessness prevention. These reserves will be fully utilised in 2023/24. The annual grant of £1.8m is insufficient to cover the costs of the service, the shortfall being £0.8m in 2023/24.

There are numerous other smaller service pressures totalling £2.7 million across Place Operations services. The growth in pressures is inclusive of the COVID recovery re-profiling of income which has reduced the service pressures requirement by £3.2m.

5. **Pay award**

Local government agreed pay awards for 2018/19, 2019/20, 2020/21 and 2021/22 were 2%, 2%, 2.75% and 1.75% respectively.

The budget for 2022/23 made a provision for a 3.1% pay increase. Due to pressures associated with the cost of living the National Employers for local government services proposed a flat rate increase of £1,925 on every spinal column point for the current financial year which is estimated to calculate out as an average 5.4% for the profile of staffing within the council. A majority of unions confirmed their acceptance of the proposal on 1 November 2022 which included a 4% increase in allowances and a one-day increase to all employee's annual leave entitlement from 2023/24. BCP Council's November financial forecast for 2022/23 assumes that the higher than assumed pay award has added an extra £4.1m over and above the budgeted amount to the pay bill of the authority.

The initial draft of the budget proposal for 2023/24 makes provision for the £1,925 on every spinal column point in 2022/23 followed by a 3% pay award for 2023/24.

In addition, as part of the savings and efficiencies proposal underpinning the 2023/24 budget, provision is now being made for 95% of each service's employee establishment to allow for the impact of turnover and other matters on the actual cost of the service. Previously the assumption varied between services, and between 95% and 98%. This change in assumption partly reflects previous years activity. In addition, services are expected to manage the impact of any incremental drift in their pay base.

6. **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 of April 2022 and the impact will be discussed with the pension fund actuary Barnett Waddingham on the 18 November 2022. The previous 31 March 2019 position for BCP Council was a funding deficit of £86.6m with a resulting funding level of 92% as outlined below.

Figure 1: 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%

This means that the Council has paid the contribution rates as set out in figure 2 below. 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.

Figure 2: 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

The intention is the outcome of the April 2022 valuation will be factored into December reiteration of the medium-term financial plan if agreement with the Actuary has been reached.

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 of September 2022, which is applied or factored into several contractual uplifts, was 10.1% as measured by the (CPI) Consumer Price Index.

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

One area of specific cost pressure which has been allowed for as part of the projected outturn for 2022/23 and future years is the inflationary pressures within utility costs specifically those relating to electricity and gas. This cost is particularly significant within the Operations directorate and within that the electricity cost associated with street lighting. The councils 2022/23 budget allowed for circa £4.1m in electricity and gas costs across all areas of service and the forecast outturn for the year basically assumes this will almost double to £7.9m with a further increase to £8.9m for 2023/24 onwards.

8. Government Grant - Assumed £3.1m additional funding for social care funding in 2022/23 (£11.2m over 4-year period of the MTFP)

National analysis shows that the government have made additional grant funding for adult social care in every year since 2015/16. The smallest increase in that timeframe was £500m. On that basis, and on the basis of the formulae previously applied, the provisional budget assumes an extra £3.1m in government funding next year growing by £2.7m per annum in each and every one of the following four years.

9. Future Fund

As part of the financial strategy supporting the 2023/24 budget the council revised the principles around the £50m Futures Fund and £20m Green Futures Fund. Decisions will now be made as proposals are brought forward with nothing to be brought forward which is not self-financing until such time as the council has delivered a balanced budget for 2023/24.

Commitments made to previous schemes under the future funds remain within the Council's budget and MTFP. For clarity, this includes.

£5.87m	Smart Places Gigabit project
£4.0m	Wessex Fields – road infrastructure
£2.6m	Pokesdown Railway station

10. Transformation Investment Programme

The Councils Transformation Investment Programme was first presented to Cabinet in November 2019 based on a report, costing £314,650, commission from KPMG. Subsequently, in June 2020, Cabinet, and then Council, agreed to establishing a £37.62m budget for the implementation of the programme.

In February 2021, as part of the 2021/22 budget report this budget was increased to £44.52m and allowed an additional £6.9m for redundancy costs.

As part of the February 2022 budget report for 2022/23 the budget was further increased to £67.86m. This extra £23.34m reflected the following additional elements.

- a) £20.09m Inclusion of internal base revenue budget staff costs, £6.7m for three years, which will now be apportioned and charged to the transformation programme.

- b) £1.75m Investment in the data and insight capability
c) £1.5m Extra contingency

The current consolidated position in respect of the transformation programme is set out in figure3 below.

Figure 3: Consolidated Transformation Programme Table

Transformation Investment Programme One-off / time-limited budget provision for the delivery of the programme		2020/21 Actual £m	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	£m
Capital Spend	Expenditure						
	Capital expenditure	1.19	0.05	0.92	1.16	1.43	4.75
		1.19	0.05	0.92	1.16	1.43	4.75
	Funding						
	Prudential Borrowing (funded from General Fund MRP)	0.00	0.00	(0.72)	(1.16)	(1.43)	(3.31)
Revenue Spend	Prudential Borrowing (funded from HRA land tfr)	(1.19)	(0.05)	(0.20)	0.00	0.00	(1.44)
		(1.19)	(0.05)	(0.92)	(1.16)	(1.43)	(4.75)
	Expenditure						
	One-off costs	0.31	5.32	15.57	3.70	1.93	26.83
	Redundancy costs	0.00	0.56	1.25	10.35	0.74	12.90
Revenue Spend	Contingency	0.00	0.00	0.41	0.45	0.68	1.54
	Staff costs apportioned to Transformation	0.00	0.00	6.70	6.70	6.69	20.09
	Data & insight Capability	0.00	0.00	1.40	0.35	0.00	1.75
		0.310	5.880	25.330	21.550	10.040	63.11
	Funding						
Total	Assumed fundable by Capital Receipts/Capital Direction	(0.31)	(3.88)	(25.33)	(21.55)	(10.04)	(61.11)
	Contributions from outside of the General Fund	0.00	(2.00)	0.00	0.00	0.00	(2.00)
		(0.31)	(5.88)	(25.33)	(21.55)	(10.04)	(63.11)
Total	Total expenditure	1.50	5.93	26.25	22.71	11.47	67.86
	Total funding	(1.50)	(5.93)	(26.25)	(22.71)	(11.47)	(67.86)
Transformation Investment Programme Ongoing base revenue budget of the council		2020/21 Actual £m	2021/22 Actual £m	2022/23 Budget £m	2023/24 Estimate £m	2024/25 Estimate £m	£m
Revenue Budget	Expenditure						
	Licenses and other revenue costs of the programme	0.00	2.08	3.40	4.50	4.50	14.48
		0.00	2.08	3.40	4.50	4.50	14.48
	Savings and efficiencies						
	Transformation Programme Savings profile	0.00	(3.95)	(18.70)	(28.70)	(43.90)	(95.25)
Revenue Budget		0.00	(3.95)	(18.70)	(28.70)	(43.90)	(95.25)

As explained in the 2022/23 Budget report, prior to 2022/23 the one-off transformation implementation programme budget did not include the costs of employees working on the programme (*who would normally be budgeted for as part of the base revenue budget of the council*) who are therefore not now available to support day to day or statutory improvement duties. This approach was not previously adopted and was only explored as part of the financial strategy supporting the 2022/23 budget. Independent assurance was obtained to demonstrate the validity of this approach however it requires a robust working paper to be

produced annually that demonstrates a clear and transparent link to the transformation business cases.

In respect of the savings to be delivered by the transformation programme the core phasing of the delivery is as set out in the Figure 3 above. It should however be noted that any staff or third-party saving proposals that are finally put forward for inclusion in the 2023/24 budget and MTFP will impact on the delivery and timing of these savings.

As set out in the November Finance Update Cabinet report the Council has now delivered £7.1m (82%) of the £8.7m annual transformation savings target that was set for 2022/23 with £1.6m remaining to be delivered. The potential budget for 2023/24 assumes that any shortfall in this £8.7m target will be delivered in the up-and-coming financial year.

In addition, the 2023/24 potential budget, assumes an additional £10m of annual transformation savings which will bring the cumulative total to £18.7m. This further £10m is associated with a third party spend workstream. It is probably worth emphasising that to score against these third party spend savings they will need to be.

- Revenue not Capital related
- General Fund not Housing Revenue Account related
- Budgeted not unbudgeted expenditure.

All in all, the proposed budget for 2023/24 now includes £11.1m in currently identified transformation savings. The deliverability of this assumption will need to be monitored carefully as the Council moves towards budget setting in February 2023.