CABINET

Report subject	**Budget and Medium-Term Financial Plan 2023/24**
Meeting date	8 February 2023
Status	Public Report
Executive summary	To set out for Cabinet consideration and recommendation to Council the proposed 2023/24 budget and council tax based on. • Increasing Council Tax by 2.99% in 2023/24 in line with the government's annual basic threshold. • Collecting the full additional 2% Adult Social Care (ASC) precept in 2023/24. • The implementation of £32.9m of savings and efficiencies from 1 April 2023 onwards (List 1). • The implementation of £2.2m of additional savings and efficiencies from 1 July 2023 onwards (List 2).
Recommendations	**Cabinet recommends that Council:** 1) undertakes a recorded vote in relation to the following items as required by the Local Authorities (Standing Orders) (England) (Amendments) Regulations 2014. a) agrees that a net budget of £308.831m, resulting in a total council tax requirement of £243.797m, is set for 2023/24 based on the draft local government settlement figures published by government in December 2022. b) agrees an increase in council tax of 2.99% for 2023/24 in respect of the basic annual threshold and the collection of the additional social care precept of 2%. c) confirms the key assumptions and provisions made in the budget as proposed and set out in paragraph 48 to 65. d) approves the 2022/23 capital budget virement to accept the £18.2m Levelling Up Fund (Round 2) capital grant as set out in Appendix 5 e) agrees the allocations to service areas in the budget as set out in Appendix 6. f) agrees the implementation of £32.9m of List 1 savings as set out at Appendix 6a from 1 April 2023.

	g) agrees the implementation of £2.2m in annualised List 2 savings as set out at Appendix 6a from 1 July 2023. h) approves the continuation of the current Local Council Tax Support Scheme (LCTSS) into 2023/24 as set out in sections 64. i) continues the discretionary local scheme for war pensioners in which the Council disregards all prescribed War Disablement Pension or prescribed War Widow's/War Widower's Pensions income over and above the statutory limits for both Housing Benefit and Council Tax Support. j) recognises that via the governments Council Tax Support Fund, and for 2023/24 only, LCTSS claimants' bills will be reduced by up to £25. k) implements a control to strengthen commissioning, procurement, and contract management arrangements in support of the delivery third party spend transformation savings. l) approves the flexible use of capital receipts efficiency strategy as set out in paragraphs 75 to 83. m) approves the capital investment programme (CIP) as set out in paragraphs 116 to 142 and Appendix 7. n) approves the capitalisation of £0.9m of highway neighbourhood expenditure each year for the period of the MTFP, funded from prudential borrowing. o) agrees capital investment of £5m in seafront infrastructure assets funded by borrowing supported by revisions to beach hut fees. p) agrees capital investment of £0.3m in the council's IT & IS capital infrastructure investment plan as set out in Appendix 7c and as funded from borrowing. q) confirms the previously approved budget of £12.5 million for Roeshot Hill and Crescent Road to be repurposed and used under the CNHAS Programme. r) agrees the capitalisation of the council's waste bin replacement strategy at £0.4 million per annum funded by borrowing. s) approves Cabinet's recommendation 7 September 2022 to increase the acquisition programme 4a (street acquisitions) budget originally approved by Council in February 2022 from £47.9 million to £68.8 million. t) approves the asset management plan as set out as Appendix 8. u) agrees the treasury management strategy (TMS) and prudential indicators as set out in paragraphs 164 to 176 and Appendix 9. v) accepts and supports the formal advice of the chief finance officer on the robustness of the budget and the adequacy of the reserves as set out in paragraphs 177 to 182 and Appendix 10.

	w) approves the chief officers' pay policy statement for consideration and approval by the council in accordance with the provisions of the Localism Act 2011 as set out in paragraphs 184 to 186 and Appendix 10. x) requests that the chief finance officer provides Council with a schedule setting out the rate of council tax for each category of dwelling further to councillor's consideration of the decision required in respect of (1) above and after taking account of the precepts to be levied by the local police and fire authorities, neighbourhood, town and parish councils, and chartered trustees once these have been determined prior to the Council meeting on the 21 February 2023.
Reason for recommendations	The council is required to set an annual balanced budget presenting how its financial resources, both income and expenditure, are to be allocated and utilised.
Portfolio Holder(s):	Cllr Drew Mellor – Leader and Portfolio Holder for Finance and Transformation
Report Authors	Adam Richens Chief Finance Officer and Director of Finance 01202 123027 adam.richens@bcpcouncil.gov.uk Graham Farrant Chief Executive 01202 127976 graham.farrant@bcpcouncil.gov.uk Nicola Webb, Assistant Chief Finance Officer Matthew Filmer, Assistant Chief Finance Officer
Wards	Council-wide
Classification	For Recommendation

Overview of the proposed 2023/24 budget

1. The 2023/24 budget as presented is one which moves the council onto a more sustainable financial footing by the following measures.

   a) In line with the government threshold increases council tax by 2.99% for the basic element and 2% for the social care precept. This does mean that across the 4-year period since BCP Council was formed the average increase in across the BCP area has been below that of a majority of upper tier authorities.

b) continues to work to ensure consistent standards of service and charges are delivered across the BCP area.

c) invests £14.6m extra in the council's highest priority area, children's services (excluding council pay base changes). This takes the total cumulative annual increase in revenue spending on children's services to £32.4m over the last three years.

d) prioritises investment in services to the most vulnerable members of our community with an extra £25.5m allocated for adult services (excluding council pay base changes).

e) has due regard to the ongoing cost of living crisis and ongoing economic uncertainty and the need to support the integrity of the council's financial position and its future sustainability. This includes increasing the council unearmarked reserves by £1.934m in 2023/24 to ensure they are in line with the minimum 5% of Net Revenue Expenditure threshold recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

f) is based on the delivery of a further £34.5m in assumed 2023/24 service-based and transformation-based savings and efficiencies in addition to the £47.9m identified in support of the 2019/20, 2020/21, 2021/22 and 2022/23 budgets, bringing the total budgeted service-based annual savings and efficiencies following local government review (LGR) to £82.4m. These savings have prevented some of the more severe cuts to services implemented by other local authorities over this period.

g) continues the transformation of the council and our journey to create a vibrant new entity which re-imagines and creates a modern and efficient organisation.

h) continues to protect and invest in vital frontline services as far as is possible.

Background Detail

2. In considering the development of the 2023/24 budget for BCP Council it will be within the context of having been formed in 2019 as the most complex piece of Local Government Reorganisation in a generation. It will be in the context of a unitary authority which is currently only in its fourth year of operation, with annual gross turnover of around £0.8 billion, and an annual net revenue budget which for 2022/23 was £272m per annum. It is also critical that consideration is given to the ambition and purpose of the council as expressed through the Council's Big Plan and the approved Corporate Strategy as well as the legacy impact on the organisation's financial and non-financial resources of the global Covid-19 public health emergency and the ongoing cost of living crisis.

3. Our Big Plan is our vision that the BCP region will be 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.

4. Our Big Plan is supported by five major concepts which have been developed to deliver significant 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 concepts are.

- **Investing in an iconic place**. Demonstrating our pride through a positive and innovative image recognising the clean and green quality of both our urban and natural environments.

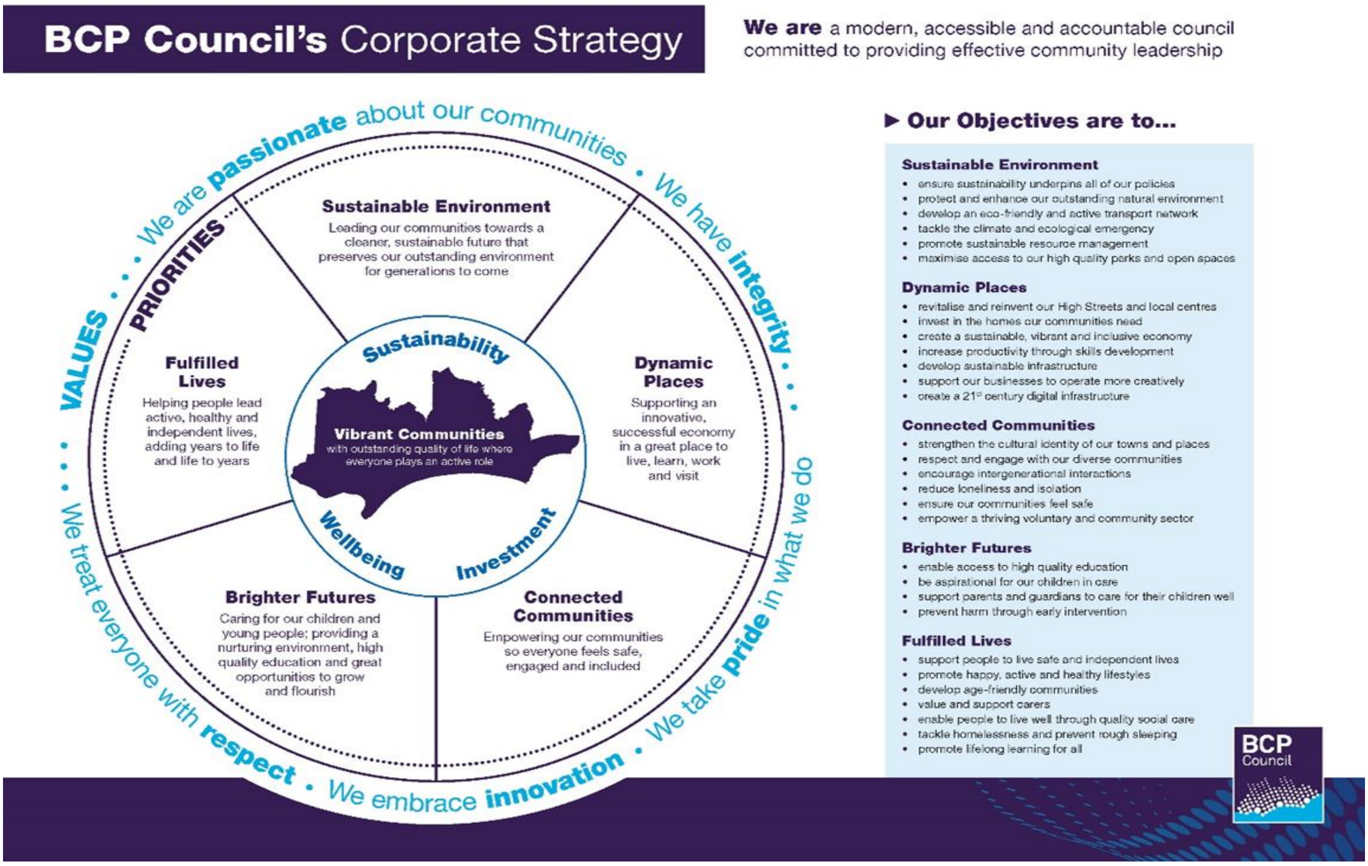
- **Investing in our seafront**. Enhancing what is already recognised as amongst the cleanest and most beautiful region coasts in the world.
- **Rejuvenating Poole**. Bringing a vibrant, attractive, and sustainable mix of residency, business, hospitality, retail, culture, and green spaces to the heart of Poole, the Quay, and the area between the two bridges.
- **Investing in our 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 and tenures, 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.

5. These 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.

6. The Big Plan is further supported by the BCP Corporate Strategy which was adopted by the Council on 5 November 2020 and was updated in February 2022. The vision is to create "vibrant communities with outstanding quality of life where everyone plays an active role". The high-level strategy sets 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 education 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



7. The Corporate Strategy is supported by an agreed set of core values and delivery plans which lay out how the council will achieve the priorities.

8. In support of the Corporate Plan and Corporate Strategy the council has identified the policy and strategy documents required to ensure the vision and priorities of the council are clear and that they are achieved through robust practice which aligns with the council's culture and behaviours. The ongoing process of policy harmonisation and creation has ensured 149 policy documents are in place across the Council and a further 18, as set out in Appendix 1 will be in place within the next 12 months.

9. Despite the challenging financial environment faced by all (see Cost of living, below), the Council still made an impact on residents and businesses as it pursued its ambitions set out in the Big Plan and Corporate Strategy. Over the last year the Council used one-off investment into key areas to make local communities cleaner, greener and safer. This has had a really positive impact – from working with partners to reduce anti-social behaviour by 11.3% between April and December 2022, to tackling fly-tipping and investing £1.69M in improving the summer experience on the seafront. Commercial seafront activities are forecast to generate over £6M in profit to support our budget and council services this year – more than ever before. The Council has also supported over 100 community groups and projects, and its ASPIRE project has helped residents make healthier lifestyle choices and find employment. The Council's house-building programme has gone from a standing start to identify a pipeline of 1,400 potential new council homes, which will contribute towards a BCP-wide target of 15,000 we and our partners have committed to.

10. Furthermore, due to the hard work of Cabinet and Officers, early work to mitigate the impacts of the inflationary related pressures this year have resulted in the Council avoiding the need for the widescale cuts to services and provisions which have been seen by many local authorities in the past six months.

11. As with the 2021/22 and 2022/23 budgets, the 2023/24 budget needs to take account of the legacy impact of the world's biggest public health emergency for a generation. Since March 2020, the Covid-19 pandemic has required urgent, ongoing, and decisive action to support our community and maintain the integrity of the council's financial position and future sustainability. In addition, this budget needs to reflect on material changes to the council's financial position caused by the impact of the cost-of-living crisis which has seen rapidly increasing inflation driven by the post pandemic economic environment, the war in Ukraine, and government's fiscal policies.

12. The 2022/23 budget as presented to Council in February 2022 was described as a bold, confident, and dynamic budget, which included several risks that were set out and assessed in detail in that year's budget report.

13. These included a commitment to bring forward a proposal to create a Special Purpose Vehicle (SPV) that would enable the commercialisation of the council's beach hut assets and incidentally generate a capital receipt which could be used to fund the council's transformation investment programme using the Flexible Use of Capital Receipts (FUCR). This flexibility allows councils to fund revenue expenditure from capital receipts which can normally only be used to fund capital expenditure, and this plan would have replaced the need to fund these transformation costs via disposal of some of the Council's assets.

Department of Levelling Up, Housing and Communities (DLUHC)

14. Following unseen representations made directly to DLUHC and both subsequent dialogue and correspondence with the Council, government confirmed on the 2 August 2022 that they had changed the FUCR statutory guidance. These changes would not prevent the council from setting up a SPV to commercialise its beach hut assets but would prevent the use of any capital receipt generated from such an arrangement to fund the transformation investment programme. As part of the announcement the Rt Hon Greg Clark, Secretary of State for Levelling Up Housing & Communities, wrote to all Council Leaders. This correspondence emphasised that Government was carefully monitoring the sector and will strengthen the Prudential Capital Framework where they believe local taxpayers are being put at unacceptable risk. It also emphasised that councils should not be expending valuable time and resources on exploring novel practices and ways to circumvent the rules set by government and advised commercial firms and companies who design and encourage these schemes to pay close attention to the amended direction.

15. In addition, the Secretary of State then wrote to firms offering council commercial advice to seek their help in not supporting councils to pursue strategies that engage in risky financial practices.

16. Post the change in guidance to the FUCR the Council needed to consider other methods for funding the transformation programme. As such the proposals included.

- Determining if the council had sufficient base revenue budgetary resources to cover its cost.
- Working with DHLUC to consider methods that are compliant with the letter and spirit of the FUCR statutory guidance such as asset sales.

- Exploring the option to apply under the governments Exceptional Finance Support (EFS) programme for a capitalisation direction. A capitalisation direction provides the ability to borrow to fund revenue expenditure which is normally disallowed by legislation and for the cost to be spread over a 20-year period.

Request for a Capitalisation Direction

17. Consequentially, an application to DLUHC for a capitalisation direction was submitted on 15 July 2022 to fund the following potential costs of the Council, which had arisen following the change in government guidance:

Figure 2: July 2022 - Submitted Capitalisation Direction

	22/23 £m	23/24 £m	24/25 £m	Total £m
Transformation Investment 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)**
Net Position on the transformation programme	**20.0**	**27.9**	**18.9**	**66.8**
Pay and Reward project - Implementation cost			9.1	**9.1**
Capitalisation Direction	**20.0**	**27.9**	**28.0**	**75.9**

18. After an intensive period of detailed and extensive information exchange over the summer period on 2 September 2022 the council received a letter from Paul Scully MP, the then Minister of State at DLUHC. In response to our Exceptional Financial Support application, it offered a minded to, in principle, £20m capitalisation direction for 2022/23 subject to the following conditions.

- An external review of the council's finances and governance arrangements to take place in the autumn of 2022.
- The production of a plan for addressing its budget gap in 2023/24 and beyond by the end of September 2022. This plan should seek to use 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 amount of exceptional financial support required going forward.

19. The letter also emphasised that no decision in respect of 2023/24 or 2024/25 capitalisation directions will be made until after the above reviews have been completed and even then, not before the Local Government Finance Settlements for those years are known. The external reviews will also enable a final decision on any total amount of EFS for 2022/23 as well as any further conditions that may be imposed.

20. The position of the DLUHC to the council's budget setting process for 2023/24 is set out in a letter to the Council Leader from Lee Rowley MP Parliamentary Under-Secretary of State for Local Government and Building Safety, received on the 25 January 2023 (Appendix 2). In this letter he encourages the council to consider its long-term sustainability, plan for a secure future and that if the budget were to include further commercial opportunities to procced with caution, ensuring it is fully compliant with statutory guidance and that the advice of the statutory officers is fully considered alongside advice from relevant bodies such as CIPFA. The letter ends by emphasising that it is a condition of the ESF support that the council's budget must be fully within the spirit and intent of all local government guidance.

Cost of Living Crisis

21. As referenced earlier another material change to the risk profile of the council's budget is rapidly increasing inflation driven by the post pandemic economic environment, the war in Ukraine, and government fiscal policies. Cost of living inflationary pressures (with the consumer price index currently at 10.1%), have previously been estimated to be around £25m in 22/23 and £30m for 2023/24. Inflation has been increasing at its fast rate for 40 years. These pressures are similar to those consistently being reported by other local authorities nationally and they are creating high levels of financial planning uncertainty due constant changes and variations to the costs of goods, materials and services required to deliver council operations.

22. To stress the point the latest indications are that inflation in 2022 will be 10.1% Consumer Price Index (CPI) and 13% as measured by the Retail Price Index (RPI). This compares to the 3.7% CPI forecast for 2022 assumed in the government's 2021 Autumn Budget. It should be borne in mind that a number of the council's contracts have annual price adjustments linked to either CPI or RPI and the rate of inflation is normally a significant factor in discussions around any annual pay awards. Besides these the other area the council is particularly exposed to is in respect of rising energy costs, especially electricity (street lighting / leisure centres / owned building) and gas. To emphasise the volatility, the price of electricity and gas increased by 80% within a single 24-hour period during the period after February 2022. Clearly the resultant financial challenge is being felt by both our community, be those residents or businesses, and directly by the council with costs significantly above those assumed in the 2022/23 budget.

23. Recognising the severity of the impact of the cost-of-living crisis early action was taken to manage its impact. This included a series of Budget Challenge meetings in April and May 2022 between the councillors who form the Cabinet and senior officers. These were established based on the expectation that Portfolio Holders and Service Managers would take all reasonable steps to manage within their delegated budgets with an overall expectation of collective responsibility across the council.

Updated Financial Strategy

24. Acknowledging the requirement to address the overall changes to the financial risk profile of the council Cabinet meet with Senior Officers and developed a revised financial strategy for 2023/24 which focuses on traditional local government financial management processes and revenue sources. This strategy was adopted by Cabinet at its meeting on 28 September 2022 with workstreams which can be summarised as.

a) <u>Financial Outturn</u>

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.

b) <u>Transformation Programme</u>

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) <u>Non-Strategic Asset Disposals</u>

Establish a schedule of non-strategic assets disposals which can be used, via the Flexible Use of Capital Receipts (FUCR) statutory guidance, to fund transformation costs as a potential alternative to the capitalisation direction.

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.

- Increasing the percentage of the employee establishment not budgeted (vacancy drag) 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 to essential cover only.
- Bring forward at pace a council wide apprenticeship programme.

It should be noted that any savings in staff or third party spend will, in the first instance, be considered as part of the programmed transformation savings which is focused on reducing the head count of the authority and reducing the amount spent externally.

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 use 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 where appropriate are 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 legitimately be 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

25. In addition, and in support of the revised financial strategy Cabinet agreed to place an update on the financial strategy as a standing item on its agenda. They also agreed that no new financial commitments will be made until such time as there is a balanced budget for 2023/24 other than with the specific agreement of the Chief Finance Officer in consultation with the Portfolio Holder for Finance. The reports have been provided to all meetings of the Cabinet other than the January meeting when the settlement figures were being worked on in preparation for this report. The expenditure controls have been maintained which has had a demonstrable positive impact on the availability of resources for next year as set out in the proposed budget.

26. This process and associated work enabled the council to respond to DLUHC and provide the detailed plan for addressing the 2023/23 budget. This position was set out in the October financial strategy update report to Cabinet.

Public Engagement

27. In support of the process for setting a budget for 2023/24 the Council undertook an extensive budget engagement exercise asking residents and stakeholders to tell us what council services are most important to them and to share their ideas as to how we can work together to continue to provide services. The online survey haveyoursay.bcpcouncil.gov.uk/budget was open between the 14 November 2022 and 23 December 2022 with paper copies also available in libraries. The engagement was promoted widely through a variety of channels including local media coverage, the council's social media channels, community and resident group Facebook pages and the council's e-newsletter. We held 3 drop-in events in Bournemouth, Christchurch and

Poole which included handing out postcards promoting the engagement in each of the town centres. All council colleagues were encouraged to share the engagement with their networks.

28. The outcome of this consultation was 1,473 responses to the survey with 249 ideas submitted to the ideas wall and 112 associated comments. A full analysis is presented as appendix 3 to this report

Autumn Statement

29. On 17 November 2022, the Chancellor of the Exchequer delivered his Autumn Statement, alongside the Office for Budget Responsibility's (OBR's) new set of economic and fiscal outlook forecasts. The Autumn Statement responded to the OBR forecasts and set out the medium-term path for public finances nationally. This follows the previous Chancellor's Growth Plan announcements in late September 2022, the majority of which were subsequently rolled back, with the notable exception that the Health and Social Care Levy which has been, and remains, cancelled. As part of the statement the Chancellor set two new fiscal policy rules.

- Public sector net debt (excluding the Bank of England) needs to be falling as a percentage of GDP by the fifth year of the rolling forecast; and
- Public sector net borrowing (the deficit) needs to be below 3% of GDP by the fifth year of the rolling forecast.

30. To meet both of those rules, the Autumn Statement delivered public finance measures related to tax and spending worth £55bn by 2027/28. Of this, around £30bn is related to spending policy decisions and £24bn through tax policy decisions. Most of the decisions on spending will make an impact after this Spending Review period (with extra spending committed in this Spending Review period) and the extra tax revenues phased in gradually over the forecast period.

31. Specifically, in respect of issues salient to local government, the Autumn Statement made the following announcements

a) Local authorities have been given additional flexibility in setting council tax for both 2023/24 and 2024/25, by increasing the referendum limit for increases in council tax to 3% per year. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. The previous policy, set at the 2021 Spending Review, was for a general limit of 2%, with an extra 1% for adult social care.

b) Government will limit the increases in social rents in 2023/24. Under current rules, rents could have risen by up to 11.1% as they tracked inflation, but now they will only be able to rise by a maximum of 7%. This reduction will impact on spending power on the council's housing stock as maintenance and construction prices have continued to rise quickly.

c) Following the recommendations of the independent Low Pay Commission (LPC), the National Living Wage (NLW) for individuals aged 23 and over will be increased by 9.7% to £10.42 an hour from 1 April 2023. This will impact on the cost of many of the councils externally procured contracts most notably those associated with the provision of care services.

d) The national rollout of social care charging reforms has been delayed from October 2023 to October 2025. The funding has been retained in local authority budgets to meet current pressures as set out below.

e) Additional social care grant funding.

- £1.3 billion in 2023/24 and £1.9 billion in 2024/25 will be distributed to local authorities through the Social Care Grant for adult and children's social care.
- £600 million will be distributed in 2023/24 and £1 billion in 2024/25 through the Better Care Fund, with the intention of getting people out of hospital on time into care settings and freeing up NHS beds.
- £400 million in 2023/24 and £680 million in 2024/25 will be distributed through a grant ringfenced for adult social care which is also intended to help to support hospital discharge.

f) A further year-long extension to the Household Support Fund.

g) From 1 April 2023, a revaluation will update rateable values for business rates with a £13.6m support package put in place to protect ratepayers facing increases including.

- The business rates multipliers for 2023/24, will be frozen.
- A new Transitional Relief scheme limiting the rate at which bills can increase due to the revaluation.
- A more generous Retail, Hospitality and Leisure relief for eligible properties in 2023/24.
- A Supporting Small Business scheme to cap bill increases for businesses that lose other relief due to the revaluation.
- The Autumn Statement commits to protect Local Authorities for any loss of income from these business rate measures, and Local Authorities will receive new burdens funding for any additional administrative and IT costs.

Provisional Local Government Finance Settlement for 2023/24

32. On 19 December 2022, the Secretary of State for the DLUHC, Rt. Hon. Michael Gove MP, announced the 2023/24 provisional local government finance settlement. This was preceded on the 12 December 2022 by a local government finance policy statement which set out some detailed assumptions in advance of the settlement. For BCP this policy statement included notification that government will be extending for another 3-years to 31 March 2026 the statutory override which allows the council to ignore, for the purposes of determining its solvency, the accumulating deficit of the dedicated school's grant. This policy statement also confirmed that the review of relative needs and resources ('Fair Funding Review') and a reset of business rates growth will not be implemented in the next two years.

33. It regards to the provisional settlement, it confirmed that the next two years will essentially be two rollover settlements based on the overall funding envelope set out in the Autumn Statement. It provided provisional figures for 2023/24 and principles for 2024/25. Key elements of the settlement not previously included in either the Autumn Statement or policy statement include:

- A new grant has been created to ensure every authority has an increase in Core Spending Power (CSP) of at least 3%. This guarantee will be funded from the removal of the previous Lower Tier Services Grant (LTSG) and the reduced cost of the New Homes Bonus.

- Three grants have been rolled into the Revenue Support Grant (RSG) calculation namely the Local Council Tax Support Administration grant (£469k), the Family Annex Council Tax Discount Grant (£43k), and the Food Safety Enforcement grant. As such this will mean these grants are not protected in the way they were as specific grants.
- A further grant, the Independent Living Fund (£937k) has been rolled into the Social Care Grant.
- Confirmation that it was the fifth consecutive one-year financial settlement.

34. Figure 3 below sets out the impact of the provisional 2023/24 local government finance settlement as it pertains to BCP Council.

Figure 3: Provisional LG 2023/24 Finance Settlement - Unringfenced grants

	2022/23 £m	2023/24 £m	Change £m
Business Rates	56.8	58.9	+2.1
Unringfenced Grants			
Revenue Support Grant	3.1	3.9	+0.8
LSCT Administration Grant	0.5	0.0	-0.5
Service Grant	3.8	2.1	-1.7
Lower Tier Services Grant	0.5	0.0	-0.5
New Homes Bonus	1.0	0.3	-0.7
Specific Grants			
Social Care Grant	15.3	25.5	+10.2
Independent Living Fund	0.9	0.0	-0.9
Improved Better Care Fund	13.4	13.4	0.0
	95.3	**104.1**	**+8.8**

35. It should be highlight in addition to the above un-ringfenced grants the council will also receive.

- £4.1m Market Sustainability and Improvement Fund
- £1.9m Adult Social Care Discharge Fund

The expectation is that each of these will be matched by equivalent expenditure, with the ASC Discharge Fund expected to form part of the Better Care Fund plans with the NHS.

2022/23 In-year – Quarter 3 - Budget Monitoring Position

36. The December projection for the 2022/23 revenue budget outturn is a forecast surplus of £10.1m overall. There is an overspend within services offset by a central budget surplus.

37. This position demonstrates the positive impact that expenditure controls implemented by Cabinet as part of a Finance Update report to its 29 September 2022 meeting, are forecast to have on the budget outturn. These controls have been implemented as part

of the endorsed financial strategy (further details of which were set out in section 22 of this report), and which focuses on traditional financial management processes to enable the council to set a balanced budget for 2023/24 and beyond. It is possible that this outturn position will continue to improve as these expenditure controls continue to bear down on service expenditure and as officers continue to reduce costs.

38. The intent is to lift this expenditure control once Council agrees the budget for 2023/24 on 21 February 2023. That said, services will need to be mindful of the underspend and savings commitments made by way of contributions towards the 2022/23 forecast outturn therefore spend arrangements are not expected to return to standard operating expenditure levels until the new 2023/24 financial year. Even then it is suggested that a Corporate Management Team and Portfolio Holder process is put in place to consider if stopped activity is indeed required rather than it being automatically restarted. Such a process would also help the delivery of the transformation 3rd party spend savings through more robust procurement and contract management arrangements.

39. To that effect, and as set out later in this report at section 72, to mitigate the inclusion in the 2023/24 budget of un-itemised third party spend savings this report includes a recommendation to put in place of a control on third party spend.

40. Full details of the December 2022 forecast outturn for the year are set out in Appendix 5 and Appendices 5a to 5d.

2023/24 Proposed Budget

41. The budget for 2023/24 and the MTFP should be seen in the context of a rolling, evolving process structured to enable the ongoing proactive management and prioritisation of the council's resources and as such the Leader of the Council has been clear that work will remain ongoing in relation to efforts to materially improve this budget position for the remainder of this financial year.

42. As a relatively new council, setting the budgets in the first four years has been a challenge due to the lack of complete historic data and trend information for the council as a single entity. There will also be ongoing uncertainty around any information that is available due to the impact and long-term consequences of Covid-19 alongside that caused by the cost-of-living crisis.

43. The key dates in the 2023/24 budget setting process can be set out as follows.

22 June 2022	Cabinet (MTFP update, financial strategy, 21/22 financial outturn)
7 September 2022	Cabinet (Finance Update including Quarter 1 22/23 budget monitoring)
28 September 2022	Cabinet (Finance Strategy Update report)
26 October 2022	Cabinet (Finance Strategy Update report)
23 November 2022	Cabinet (Finance Strategy Update report)
7 December 2022	Budget Café (all councillor presentations)
14 December 2022	Cabinet (Finance Update including Quarter 2 2022/23 budget monitoring)
23 December 2022	Budget Engagement Exercise closes
11 January 2023	Cabinet (Council Tax – 2022/23 tax-base report)
12 January 2023	Audit & Governance (Treasury Management Strategy 2023/24)

18 January 2023	Budget Café 2 (all councillor presentation)
3 February 2023	Presentation to representatives from Commerce & Industry
8 February 2023	Cabinet (2023/24 Budget, MTFP update, Quarter 3 22/23 budget monitoring)
21 February 2023	Council (2023/24 Budget & MTFP update report)

44. Figure 4 below sets out the budget for 2023/24 and Medium-Term Financial Plan (MTFP) to 2027. As a reminder to councillors, the following table sets out changes in the revenue budgets, on an annual basis, either positive numbers which represent additional costs to be met, or negative numbers 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 £10.1m from the forecast outturn for 2022/23 in support of the 2023/24 budget.

45. Key features of the 2023/24 budget as presented include.

- £25.5m investment in adult social care services (excluding pay, pensions, and national insurance uplifts).
- £14.6m investment in children's services (excluding pay, pensions, and national insurance uplifts).
- 4.25% assumed pay award for 2023/24 based on a survey undertaken by the Chief Financial Officer with other upper tier treasurers.
- £32.9m of list one savings with an implementation date 1 April 2023 and £2.592m of list two savings which will be implemented on the 1 July 2023.
- 4.99% increase in council tax for 2023/24 made up off 2.99% for the basic amount and 2% for the social care precept. The financial planning assumption for future years will be 4.99% in 2024/25 and 2.99% annually thereafter. Increases in the council's council tax base.
- Provision for the social care grants announced by government as part of the November 2022 Autumn Statement and as set out in detail as part of the provisional local government finance settlement for 2023/24.
- Utilising the £10.1m forecast financial outturn for the current 2022/23 financial year which will be carried forward via an earmarked reserve.
- Utilising £5.3m in reprovisioned earmarked reserves to support the 2023/24 budget.
- Utilising the £14.2m cost of living mitigation resources set aside based on the 2021/22 financial outturn to support the 2023/24 budget. These will be carried forward via an earmarked reserve.
- Investment of an addition £1.234m on a one-off bases into unearmarked reserves to move the councils unearmarked reserves to the 5% of net revenue expenditure threshold often used as a barometer of good practice.

Figure 4: 4-year Medium Term Financial Plan 2023 to 2027

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	25.4	15.0	8.1	8.7	**57.2**
Adult social care reforms	0.0	0.0	5.8	10.2	**16.0**
Children’s services	14.6	8.4	9.0	9.6	**41.6**
Operations	8.2	3.4	1.8	1.1	**14.4**
Reversal of securitisation of income stream proposal	(3.7)	0.0	0.0	0.0	**(3.7)**
Resource services	1.6	1.4	0.5	0.5	**4.0**
Staff costs being charged to transformation prior 25/26	3.5	0.0	3.2	0.0	**6.7**
Capitalisation direction 22/23 cost of capital & interest repayments	0.2	0.0	0.0	0.0	**0.2**
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	(9.7)	0.0	0.0	0.0	**(9.7)**
Pay related costs	10.6	7.8	3.7	3.6	**25.7**
Pay and grading project	1.0	1.1	(1.0)	1.9	**3.0**
Debt and capital adjustments	0.2	0.4	(0.3)	(0.1)	**0.2**
Treasury Management & Investment income adjusted disposals	(1.5)	1.3	(0.1)	0.0	**(0.3)**
Total adjustments in respect of cost of services	**53.6**	**36.9**	**30.6**	**35.5**	**156.5**
Adjustments in respect of resource levels					
Council tax – revenue - 5% 23/24 & 24/25, 2.99% per annum thereafter	(11.3)	(12.0)	(7.7)	(8.0)	**(39.0)**
Council tax - taxbase	(3.4)	(1.4)	(1.2)	(1.3)	**(7.3)**
Council tax - single person discount	(0.2)	0.0	0.0	0.0	**(0.2)**
Council tax - second homes 100% premium	0.0	0.0	(5.3)	0.0	**(5.3)**
Council tax - empty homes premium after 1st rather than 2nd year	0.0	0.0	(0.9)	0.0	**(0.9)**
Business Rates	(2.3)	0.0	0.0	0.0	**(2.3)**
Collection fund – (surplus) / deficit distribution net of S31 grant	1.9	0.0	0.0	0.0	**1.9**
Government core grant funding changes	2.0	0.0	2.5	0.0	**4.5**
Assumed social care reforms funding	0.0	0.0	(5.8)	(10.2)	**(16.0)**
Assumed additional social care grant funding	(14.5)	(8.0)	(2.7)	(2.7)	**(27.9)**
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 2022/23 to support 23/24 budget	(10.1)	10.1	0.0	0.0	**0.0**
Reserve Funding - Contribution to unearmarked reserves	1.2	(1.2)	0.0	0.0	**0.0**
Total previously assumed adjustments in resource levels	**(19.1)**	**7.0**	**(21.1)**	**(22.2)**	**(55.4)**
Assumed additional savings, and efficiencies					
Unitemised Transformation savings	(9.0)	(15.9)	0.0	0.0	**(24.9)**
Scheduled service based savings (include. Adults, Children's, Transformation)	(25.5)	(7.5)	(2.6)	(2.6)	**(38.1)**
Roundings	(0.1)	0.1	(0.1)	0.0	**(0.1)**
Unidentified Adult Social Care savings (2.99% growth restriction)	0.0	(1.5)	(3.1)	(3.5)	**(8.1)**
Unidentified Children's savings (2.99% growth restriction)	0.0	(4.5)	(6.5)	(7.0)	**(18.0)**
Total assumed annual extra savings and efficiencies	**(34.6)**	**(29.3)**	**(12.3)**	**(13.0)**	**(89.2)**
Annual – Net Funding Gap	**(0.0)**	**14.7**	**(2.8)**	**0.2**	**12.0**
Cumulative MTFP – Net Funding Gap	**(0.0)**	**14.6**	**11.9**	**12.0**	

46. Key changes from the position as set out in the 14 December 2022/23 Budget Monitoring and Financial Strategy Update report to Cabinet can be articulated as follows.

a) Implications of the provisional 2023/24 local government finance settlement.

b) Refinement of several detailed items with the latest available information and the ongoing assessment to evaluate the robustness of the budget

c) Reprofile of various savings proposals between 2023/34 and 2024/25

d) Remove some (previously referred to as below the line) savings proposals completely from the MTFP

47. Based on the assumptions within the MTFP, the Council will need to identify a further £14.9m of ongoing revenue savings to balance the 2024/25 budget. This is in addition to delivering.

i. £23.1m of additional annual savings including £15.9m currently un-itemised but committed to as part of the corporate transformation investment programme

ii. £4.5m of currently unidentified savings in Children's services which it is assumed will flow from their service specific transformation programme

iii. £1.5m of currently unidentified savings in Adult Social Care which it is assumed will flow from their service specific transformation programme

Additional investment into services

48. **Adult Social Care – Service Pressures £25.5m (21% increase over 2022/23 budget excluding pay related costs)**

The MTFP makes provision for an additional gross £57.2m 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 relate mainly to increases for providers in staffing costs where a significant driver is the consequential impact of increases in the National Living Wage (NLW).

2) Demographic growth within the learning disability and mental health client group.

3) Growth in demand for complex, costly 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) Termination of one-off use of the Disabled Facilities Grant carried forward from previous years to support community equipment.

6) Cost of care pressures following government direction to work towards paying a fair cost of care. The additional investment matches the additional social care money allocated to BCP Council but is below what is being demanded by providers.

7) Ongoing pressures resulting from increased activity because of the hospital flow approach to timely and safe discharge for those who no longer need to stay, also influenced by supply shortage in the home care market and higher use of residential care. The time-limited extra investment only goes as far as the additional social care money allocated to BCP Council.

The National Living Wage has been confirmed at £10.42 per hour from April 2023. This is 10p higher than the previous estimate from the Local Government Association (LGA) issued in June 2022.

The NLW 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 9.7% from April 2023 and 5.5% from April 2024 increasing to £10.99 per hour (the LGA latest forecast is within a range of £10.82 - £11.35), then 2% for the remainder of the MTFP period.

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

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 again and further announcements are awaited. The council will commit spending on this activity up to any amount funded by the government.

49. **Adult Social Care Charging Reforms – A service pressure of £16m in 2025/26 and 2026/27 matched by income**

The Government has listened to the concerns of local government and has taken the difficult decision to delay the planned adult social care charging reforms from October 2023 to October 2025. The funding will be retained in local authority budgets to help meet current pressures as set out in this report.

The government remains committed to delivering the adult social care charging reforms and supporting people drawing on care and support, therefore the MTFP reflects an assumption that £5.8m estimated pressures in 2025/26 and further £10.2m in 2026/27 will be fully funded from additional money.

The delay will give local authorities additional time to prepare for the rollout of these reforms and provide additional funding to help with immediate pressures.

The delay covers the implementation of the extended means test, the lifetime cap on personal care costs and the extension of Section 18(3) to enable self-funders in residential care to access local authority contracting arrangements.

50. **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 provides 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 facing serious challenges because of the national shortage of social workers, the rising number of social workers choosing to be employed by agencies and higher salaries being offered by neighbouring and surrounding authorities being rated good and outstanding whilst Children's Services at BCP is rated inadequate.

b. Whilst a recruitment and 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 the BCP area due to the high cost and limited availability 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) School Transport:

a. cost of special educational needs and disability (SEND) transport is directly linked with the increasing number of education, health, and care plans (EHCPs) 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 savings target in 2022/23 associated with SEND transport which has been unachievable, so the 2023/24 budget restores this amount and allows for further growth in demand.

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

The DfE improvement funding over 2021/22 and 2022/23 is not on-going and has been 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.

51. **Operations – Service Pressures £8.2m (15% 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 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 the service is actively working on scenarios to decrease usage across BCP.

Fuel inflation has resulted in a pressure of £0.2m in relation to the council's fleet, and an additional £0.1m on general diesel costs. A revised prudential borrowing pressure of £1.8m for the council's fleet has also been included in 2023/24, to ensure that the rolling capital 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 £0.4m. In previous years, the homelessness prevention grant of £1.8m per annum has been supplemented by utilising reserves designated for the service. 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 £0.4m in 2023/24.

The current tendered bus service routes are funded in full by the base revenue budget. The new tenders at the current service level would lead to an overspend over the remaining months of 2022/23 and into 2023/24. The Bus Subsidy grant and Local Transport Fund received from the Department for Transport (DfT) will be used to offset this pressure until January 2024. By this time, the service will have either received notification of continued funding so that the current offering can be maintained, or enough notice will have been given to reduce the service within current budget levels.

There are numerous other smaller service pressures totalling £4.4m across Operations Services. The growth in pressures is inclusive of the covid recovery re-profiling of income which has reduced the service pressures requirement by £2.2m.

52. **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 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 proposed budget for 2023/24 makes provision for the £1,925 on every spinal column point in 2022/23 followed by a 4.25% pay award for 2023/24. This is based on a benchmarking exercise undertaken by the Chief Financial Officer with Unitary Treasurers to ascertain the assumptions being made by the sector.

Services are expected to absorb the impact of the additional days annual leave entitlement for 2023/24 within their budgets acknowledging that it will also need consideration alongside the proposals to harmonise terms and conditions.

In addition, as part of the savings and efficiencies proposals underpinning the 2023/24 budget, provision is now only 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, of between 95% and 98%. This change in assumption partly reflects previous years activity. In addition, services are also expected to manage the impact of any incremental drift in their pay base.

53. **Harmonised Pay and Grading Structure**

A key requirement following the creation of BCP Council was to create a single pay and grading structure. The proposed 2023/24 budget reflects its proposed implementation during 2023/24, from 1 January 2024, with a proposed uplift in the pay bill from that point in time onwards.

54. **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 was discussed with the pension fund actuary Barnett Waddingham on the 18 November 2022. The March 2022 position for BCP Council was a funding deficit of £53.2m with a resulting funding level of 95.9% as outlined below, compared to a funding deficit of £86.6m at 31 March 2019 relating to a funding level of 91.9%.

Figure 5: BCP Pension Fund – funding levels

Local Authority	31 March 2022 Funding level	31 March 2019 Funding level	31 March 2016 Funding level
Bournemouth Council			79%
Christchurch Council			88%
Dorset Council			80%
Poole			86%
BCP Council	**96%**	**92%**	**82%**

BCP Council contribution rates are as set out in figure 6 below. In respect of the 2022 revaluation, the increase on the ongoing rate was offset by the reduction in the back-funding element. Key variables that impacted on the valuation were the impact on liabilities of inflation, salary increases and the assumed discount rate, and the level of investment returns on the assets of the fund.

Figure 6: BCP Pension Fund contributions agreed with the Actuary

	2019/20	2020/21	2021/22	2022/23	2023/24
Ongoing (primary) rate	15.6%	16.2%	16.8%	17.4%	19.0%
Back-funding (secondary) rate	£9.43m	£5.89m	£6.10m	£6.32m	£3.97m

In comparing pay rates with those of other employers it is important to recognise that the council has a total contribution rate in excess of 22%. Many private sector companies will be making only a 4% minimum pension fund contribution.

55. **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 2022 Autumn Statement predicts inflation to be 5.5% CPI and 8.3% RPI during 2023. Government inflation target remains at 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 20222/23 budget allowed for circa £4.1m in electricity and gas costs across all areas of service and the forecast outturn for the year assumes this will almost double to £7.9m with a further increase to £8.9m for 2023/24 onwards.

56. **Futures 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 in line with existing council policies and decisions.

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
£0.8m	Homelessness Health Hub
£1.2m	Match funding to the resources provided by Salix

Additional resources, savings, and efficiencies

57. **Council Tax**

In proposing as a council tax for 2023/24 the council has reflected on the government policy to fund cost pressures in local government principally through the ability to raise council tax, including the social care precept. Recognition has also been made of the significant inflationary pressures faced by both the council and its community at this time

The proposal is to increase council tax by 4.99% in 2023/24 which is less than 50% of current rate of inflation (10.7% November 22). This increase can be broken down into a 2.99% increase in relation to general inflationary pressures and an additional 2% relating to the social care precept.

The financial planning assumption for future years continues to be that council tax will be increased, for 2024/25 by 4.99% as per the framework for 2023/24 and as set out in the 2022 Autumn Statement. Thereafter the assumption is the increase will revert to the standard annual threshold increase of 2.99% made up of a 1.99% basic increase, plus a 1% social care precept.

58. The strategic approach taken by government since its 2015 spending review is that local councils can increase council tax as a mechanism for funding cost and demand pressures in local services. For the last 7 years in a row (since 2016/17), this has included the use of the Adult Social Care council tax precept as a means of asserting national direction on how such resources should be applied. Any lobbying for higher BCP Council funding allocations from government resources are always responded to by references to the amount the government have made provision for the council's "spending power" to be increased annually. The most significant element of this annual

spending power increase is the amount the government have made legislative provision for the council to increase its council tax.

59. As a reminder the table sets out the levels that government legislated for BCP Council to increase its council tax by in comparison to the actual levels of council tax set over the last 3-year period.

Figure 7: BCP Actual Council Tax Increases to Government Thresholds

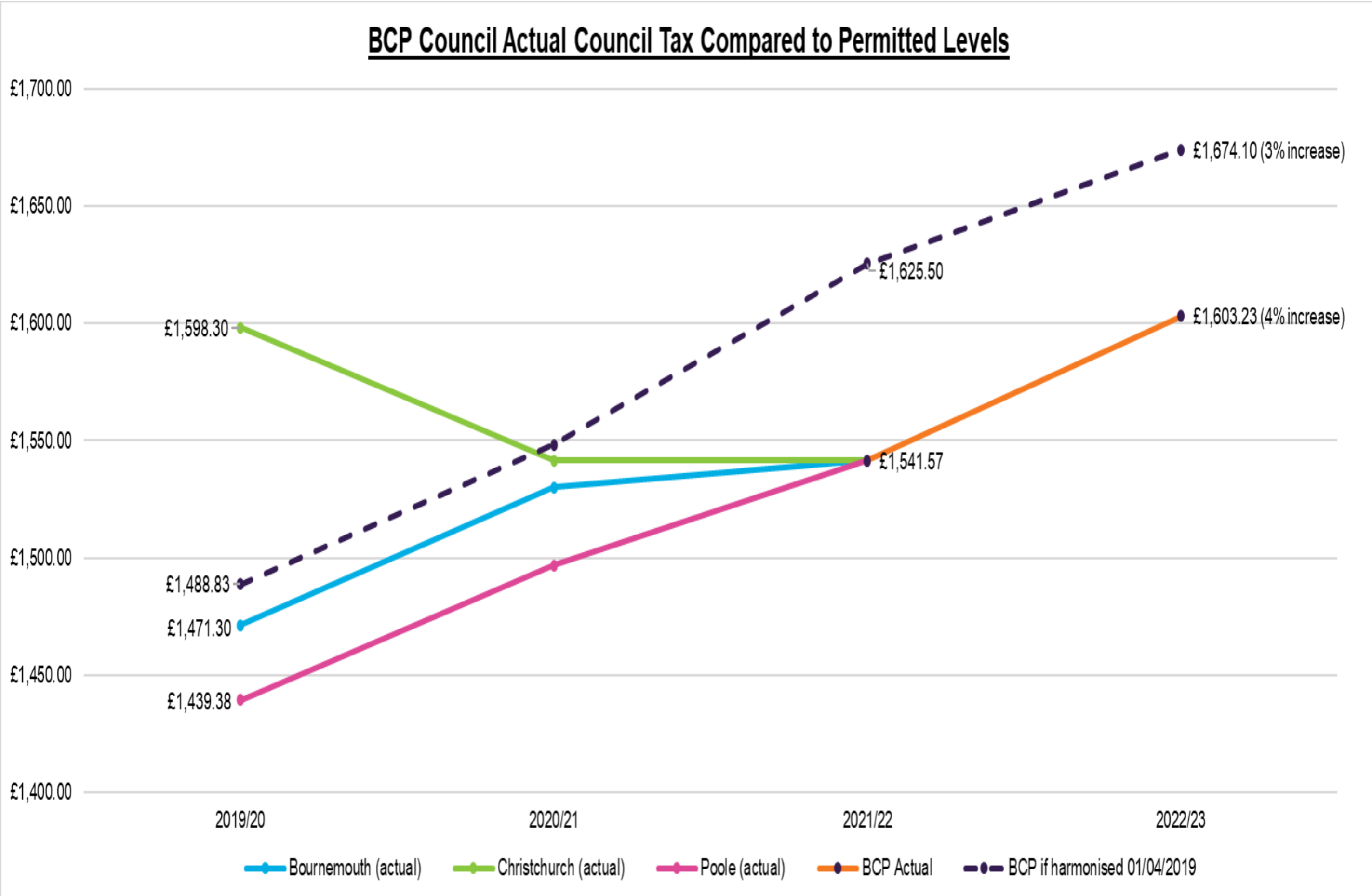
	Government Assumed Increases (thresholds)			BCP Council Actual Increases		
	Basic %	Social Care	Total	Basic %	Social Care	Total
2021/22 Financial Year	1.99%	3.00%	**4.99%**	1.55%	0.00%	**1.55%**
2022/23 Financial Year	1.99%	1.00%	**2.99%**	0.00%	4.00%	**4.00%**
2023/24 Financial Year	2.99%	2.00%	**4.99%**	2.99%	2.00%	**4.99%**

- Please note social care precept for 2021/22 could be carried forward into 2022/23

60. It may also be worth a reminder that the BCP Band D council tax for 2022/23 is £1,603.23. The equivalent council tax for our nearest neighbour Dorset Council was over 14% higher at £1,832.67. This equates to approximately £33m per annum in additional resources BCP Council could be generating based on the BCP 2022/23 tax base.

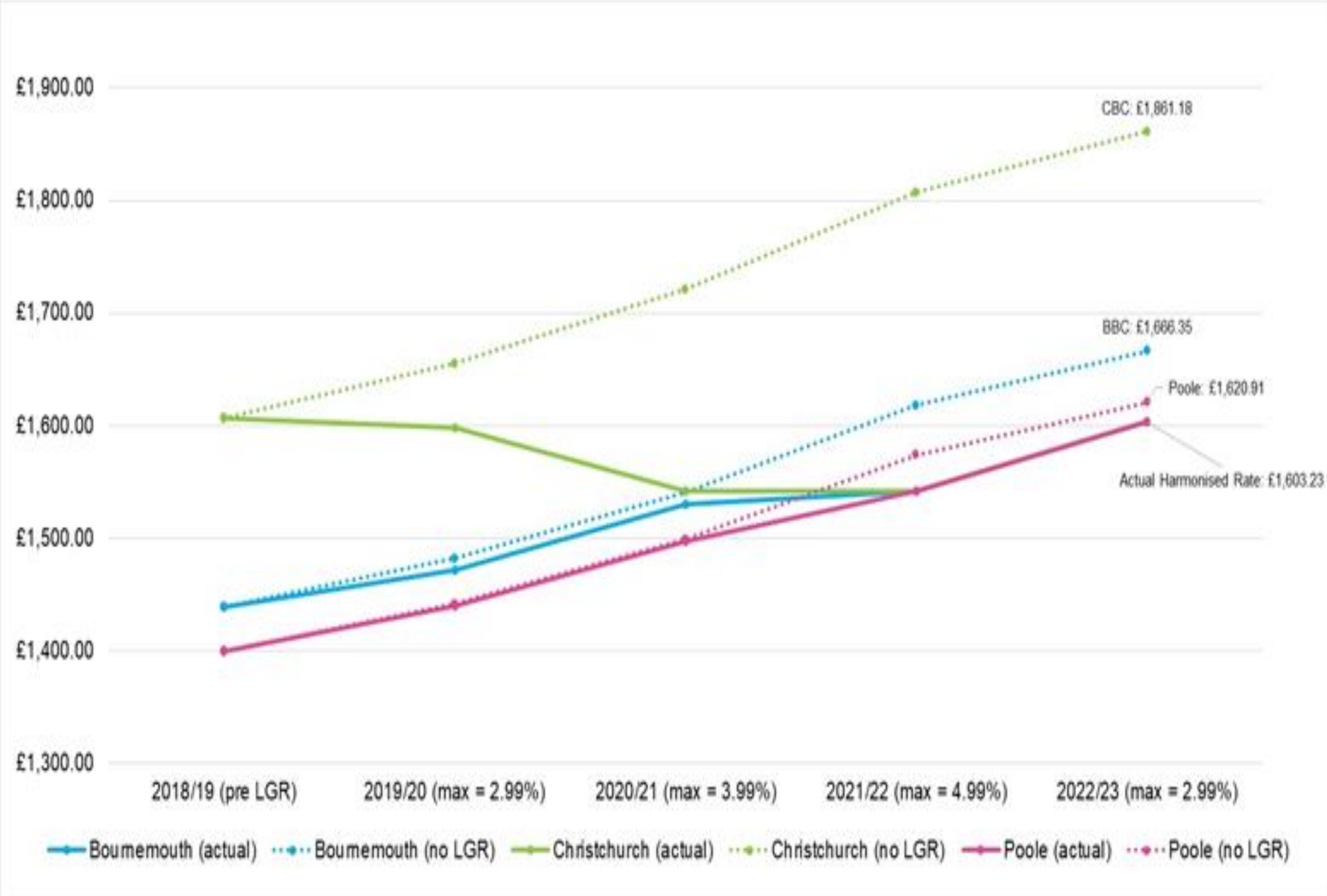
61. Figure 8 below demonstrates that if the council had harmonised in April 2019, as the new Dorset Council did, and followed government guidelines and applied the maximum increases since then then cumulatively our council tax would have been £1,674.10 in 2022/23 which is 4.4% higher than the cumulative £1,603.23 actual rate set. We are therefore clear that this council has locally decided not to generate the £10.1m per annum extra that we could have been generating. A similar calculation in 2021/22 shows the council forfeited potential council tax revenues of £11.7m. Across the two years we could have generated a total of £21.8m and instead enabled this money to be retained by council taxpayers. This is a permanent saving to our Council Taxpayers and as an illustration the decisions made by this authority will compound over the next term of BCP Council to a sum of £62m .

Figure 8: BCP actual council tax levels compared to permitted levels.



62. Expanding on this position the graph below (figure 9) sets out the likely position of the preceding authorities if local government review had not happened and if they had applied the maximum threshold increases. As an example, this shows that the council tax in Christchurch could have been £257.95 or 16% higher, which could have generated an additional council tax yield of £5.3m.

Figure 9: Council position of preceding authorities with maximum increases



63. **<u>Council Tax – Taxbase</u>**

Cabinet at its meeting on the 11 January 2023 agreed to the determination of 144,839 as its council taxbase for 2023/24 which is the number of Band D equivalent properties over which the council's council tax for the year will be charged. It is based on the principle that every domestic property is valued by the Valuation Office Agency and placed in one of the eight valuation bands, based on its value as at 1 April 1991 (houses built after this date have their value as at April 1991 estimated at the time of their first sale). The amount of council tax paid varies according to the valuation band as follows:

Figure 10: Council Tax Valuation Bands on 1 April 1991 and calculation

Band	Value at 1 April 1991	Ratio	Ratio as a percentage
A	Up to £40,000	6/9	67%
B	£40,001 to £52,000	7/9	78%
C	£52,001 to £68,000	8/9	89%
D	£68,001 to £88,000	9/9	100%
E	£88,001 to £120,000	11/9	122%
F	£120,001 to £160,000	13/9	144%
G	£160,001 to £320,000	15/9	167%
H	More than £320,000	18/0	200%

A comparison of the BCP Council Taxbase between years is set out in figure 11 below.

Figure 11: BCP Taxbase comparison between years

Area	Taxbase 2022/23	Taxbase 2023/24	% Variance
Christchurch	20,449.30	20,975.10	2.6%
Bournemouth	64,238.20	64,842.40	0.9%
Poole	58,126.50	59,021.50	1.5%
Total	**142,814**	**144,839**	**1.4%**

The council tax, taxbase growth reflects four main factors.

1) Improved collection rate.
2) Higher growth expected in the number of additional properties in 2023/24.
3) Projected £0.2m reduction cost of the Local Council Tax Support Scheme.
4) An approved investment to save proposal which ensures the council is robustly checking that residents are correctly claiming single person discounts.

Overall, the increase in taxbase is anticipated to generate £3.2m additional revenue in 2023/24.

Members are also reminded of the decision of Council in July 2022 to implement the second homes 100% premium and revisions to the empty homes premium subject to their confirmation via the Levelling Up and Regeneration Bill. The MTFP previously assumed that these changes will generate extra resources of £5.3m second homes and £0.9m empty homes from 2024/25 onwards.

This was on the basis that to implement the premium an authority will need first to make a determination at least one-year before the beginning of the financial year to which it relates. Therefore, the financial year 2024/25 is the first year it could be applied provided the determination is made by 31 March 2023 and to enact the determination the authority must publish a notice in at least one local newspaper 21 days before the determination date. The Council cannot issue a determination until such time as Levelling Up and Regeneration Bill has finally been passed. At the time of writing this report the current position is that the Bill has satisfactorily progressed through the House of Commons and has been introduced into the House of Lords. However as civil servants are describing the likelihood of the Bill receiving Royal Assent by the end of February as “challenging” the MTFP now assumes this extra council tax revenue will not be collected in 2024/25.

64. **2023/24 Local Council Tax Support Scheme (LCTSS)**

No changes are proposed to the Local Council Tax Support Scheme for 2023/24 which will mean a consistent policy has been applied by the Council from 1 April 2019 onwards.

Ongoing consideration will be given to changing the existing LCTSS to a ‘banded scheme’ reflecting evolving best practice to reduce the burden of administration for both claimants and the council. Any changes proposed would not be designed to reduce expenditure on LCTSS but to deliver operational and administration efficiencies and better meet the needs of residents.

In respect of council tax support to vulnerable households the provisional 2023/24 local Government Finance Settlement included £100m nationally to allow councils to deliver additional support to LCTSS claimants and to determine local approaches to support other vulnerable households in their area. Government’s view is this will help in striking a fair balance to ensure taxpayers are not over-burdened at a time of significant pressure on the public finances.

On the 23 December 2022 confirmation was received that BCP had been allocated £637,000. The Government require us to use the majority of the funding to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. It will up to the council to decide how any remaining allocation is best used to support vulnerable households with council tax bills.

As of 1 January 2023, BCP Council was providing LCTS to 23,811 claimants.

For both Housing Benefit and Council Tax Support, BCP Council, as it predecessor authorities did, has administered a discretionary local scheme for war pensioners, in which the Council can disregard all prescribed War Disablement Pension or prescribed War Widow’s/War Widower’s Pensions income over and above the statutory limits. BCP Council is resolved to continue this disregard. This is allowed under Section 134 (8) of the Social Security Administration Act 1992 for Housing Benefit and for Council Tax Support as detailed in the Bournemouth, Christchurch and Poole Council, Council Tax Reduction (Support) Scheme.

65. **Government Grants - Assumed £14.5m additional funding for social care funding in 2023/24 (£27.9m over 4-year period of the MTFP)**

Trends analysis shows that the government have made additional grant funding for social care available in every year since 2015/16. Over the years grants have increased inconsistently but average at 31% increase per year. Grant income has increased by 39% for BCP in line with the national increase. National allocations announced in the Autumn budget statement indicate an increase of around 16% for 2024/25. Whilst grants have been announced only up until 2024/25, the trends shows that new money has continued over the years, therefore the MTFP assumes that the current social care grants are ongoing.

The Social Care Grant was introduced in 2020/21, as a grant ringfenced to support social care for adults and children. The Independent Living Fund has now been rolled up into the Social Care Grant for 2023/24 at the previous level of £0.9m. The Social Care Grant has increased by £9.3m for 2023/24. In BCP £6.5m is allocated to Adult Social Care and £2.8m to Children Social Care. The Social Care Grant is estimated to increase by £4.2m in 24/25 based on the autumn budget statement, then £2.3m in subsequent years. The increase includes funding due to the delay in the rollout of adult social care charging reform.

The Improved Better Care Fund is frozen for 2023/24 and has been assumed to remain at the same level for the MTFP period.

The increase for the Better Care Fund has not been announced but the MTFP assumes an increase of £0.4m for each MTFP year.

The Adult Social Care Market Sustainability and Improvement Fund of £4.1m includes new grant funding of £2.9m to address issues such as discharge delays, social care waiting times, low fee rates and workforce pressures. The grant also includes £1.2m in Fair Cost of Care grant introduced in 2022/23, as a ringfenced grant to support local authorities to move towards paying a more sustainable rate for care. This grant is maintained at current levels for the next two years to maintain the fee levels agreed 2022/23. There will be reporting requirements placed on this funding regarding performance and use of funding, details of which the government will announce in due course. This grant is estimated to increase by £2m in 2024/25 based on the Autumn Statement, then remain at the same level for the following two MTFP years.

The Government has also confirmed in the provisional settlement that the Adult Social Care Discharge Grant will be re-instated in 2023/24 at an increased value of £1.9m estimated to increase by further £1.3m in 2024/25, then to remain at the same level for the remainder of the MTFP. As in 2022/23, this grant will be required to be pooled as part of the Better Care Fund. The 2022/23 allocation requires fortnightly performance returns up to 31 March 2023, the Government will also set out further details on the conditions of this funding for 2023/24 in due course.

66. **Transformation Investment Programme including the Flexible Use of Capital Receipts Strategy.**

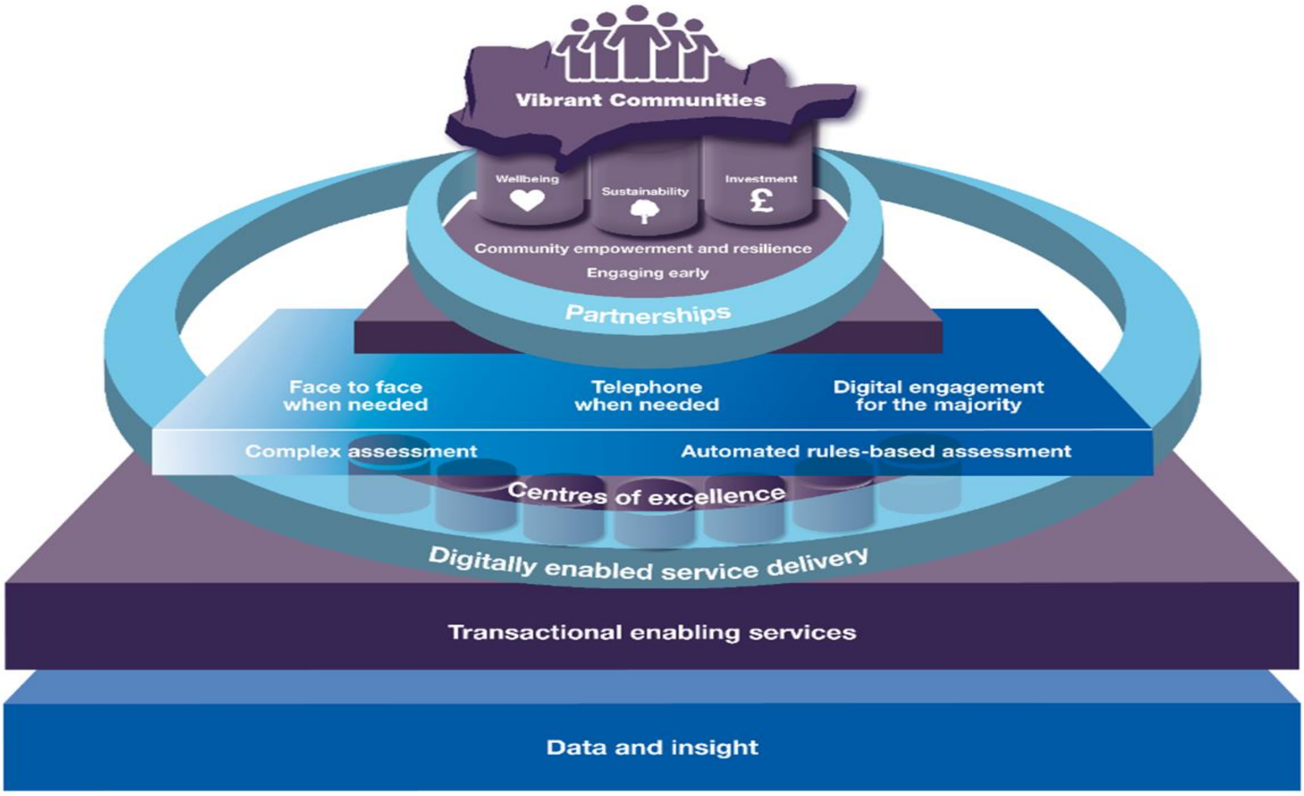
This section of the report includes information produced as part of the councils Flexible Use of Capital Receipts (FUCR) strategy as recommended by the relevant statutory guidance.

67. As might be expected the council has inherited a range of legacy staffing arrangements, processes and systems and therefore has an opportunity to remove duplication, remove inefficiencies, and to leverage economies of scale whilst improving governance. Much of this formed the foundation of the argument for establishing the new council alongside the opportunity to fundamentally transform public services. Achievement of these benefits will be delivered by the adoption of a radically different operational model and specifically via;

- Investment in technology
- Investment in data and insight
- Investment in new ways of working
- Engaging and empowering our communities
- Leveraging our partnerships
- Creating equity in pay & conditions
- Investing and rationalising the civic estate

Investment in three core technologies, along with the rationalisation and effective integration of our core service technologies, will enable the council to become the leading digital and insight driven local authority in the UK. Specifically, these are the investment in the Customer Relationship Management (CRM) system, investment in the Enterprise Resource Planning (ERP) systems (Finance and Human Resources), alongside establishing an appropriate data platform.

68. **Figure 12:** Our new Operating Model



69. 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 £43.9m of gross annual savings by year 4 based on an investment of £29.5m. The profile of these savings was assumed to accumulate as £7.8m in year 1 growing to £16.5m in year 2, £36.9m in year 3 and £43.9m in year 4. It should be highlighted that these savings will impact on the whole council including both General Fund and Housing Revenue Account (HRA) services.

70. Council on 7 July 2020 agreed to the extension of the project to a £38m programme referencing the accelerated leap forward in different ways of working because of the Covid-19 public health emergency and the need to accelerate the pace at which we generate savings and efficiencies. This report also approved the procurement of a strategic partner, approved oversight of the programme by a Cabinet Working Group as part of the governance arrangements and set out that the £43.9m must now be adopted as our minimum expectation of savings and efficiencies. Key milestones in the development of the Transformation Investment programme can therefore be set out as follows.

a) November 2019. First presented to Cabinet based on a report, costing £314,650, commission from KPMG.

b) June 2020 Cabinet (July Council). Establishment of a £37.62m budget for the implementation of the programme.

c) February 2021 (part of the 2021/22 budget report). Increase in the budget to £44.52m to allow an additional £6.9m for redundancy costs.

d) February 2022 (part of the 2022/23 budget report). Further increase in the budget to £67.86m to reflect the following additional elements

- £20.09m Inclusion of internal base revenue budget staff costs, £6.7m for 3 years, where staff are not available to support day to day or statutory improvement duties, and will be apportioned and charged against the transformation investment programme.
- £1.75m Investment in the data and insight capability
- £1.5m Extra contingency

e) February 2023 (as part of this 2023/24 budget report). Reduce the transformation investment programme to £57.36m to reflect.

- (£10.5m) Reduction in the annual recharge of internal base revenue costs to £3.2m for 3 years in line with the evidence base.

71. The current consolidated position in respect of the transformation programme is set out in figure 13 below.

Figure 13: 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 Budget £m**	**2024/25 Provisional £m**	**£m**
Capital Spend	**Expenditure**						
	Capital expenditure	1.19	0.05	0.82	1.34	0.84	4.24
		1.19	0.05	0.82	1.34	0.84	**4.24**
	Funding						
	Prudential Borrowing (funded from General Fund MRP)	0.00	0.00	(0.62)	(1.34)	(0.84)	(2.80)
	Prudential Borrowing (funded from HRA land tfr)	(1.19)	(0.05)	(0.20)	0.00	0.00	(1.44)
		(1.19)	(0.05)	(0.82)	(1.34)	(0.84)	**(4.24)**
Revenue Spend	**Expenditure**						
	One-off costs - including data and insight and capability	0.31	5.32	13.95	7.31	2.67	29.56
	Redundancy costs	0.00	0.56	2.57	9.03	0.74	12.90
	Contingency	0.00	0.00	0.18	0.21	0.68	1.07
	Staff costs apportioned to Transformation	0.00	0.00	3.20	3.20	3.19	9.59
		0.310	5.880	19.90	19.75	7.28	**53.12**
	Funding						
	Assumed fundable by Capital Receipts/Capital Direction	(0.31)	(3.88)	(19.90)	(19.75)	(7.28)	(51.12)
	Contributions from outside of the General Fund	0.00	(2.00)	0.00	0.00	0.00	(2.00)
		(0.31)	(5.88)	(19.90)	(19.75)	(7.28)	**(53.12)**
Total	**Total expenditure**	**1.50**	**5.93**	**20.72**	**21.09**	**8.12**	57.36
	Total funding	**(1.50)**	**(5.93)**	**(20.72)**	**(21.09)**	**(8.12)**	(57.36)

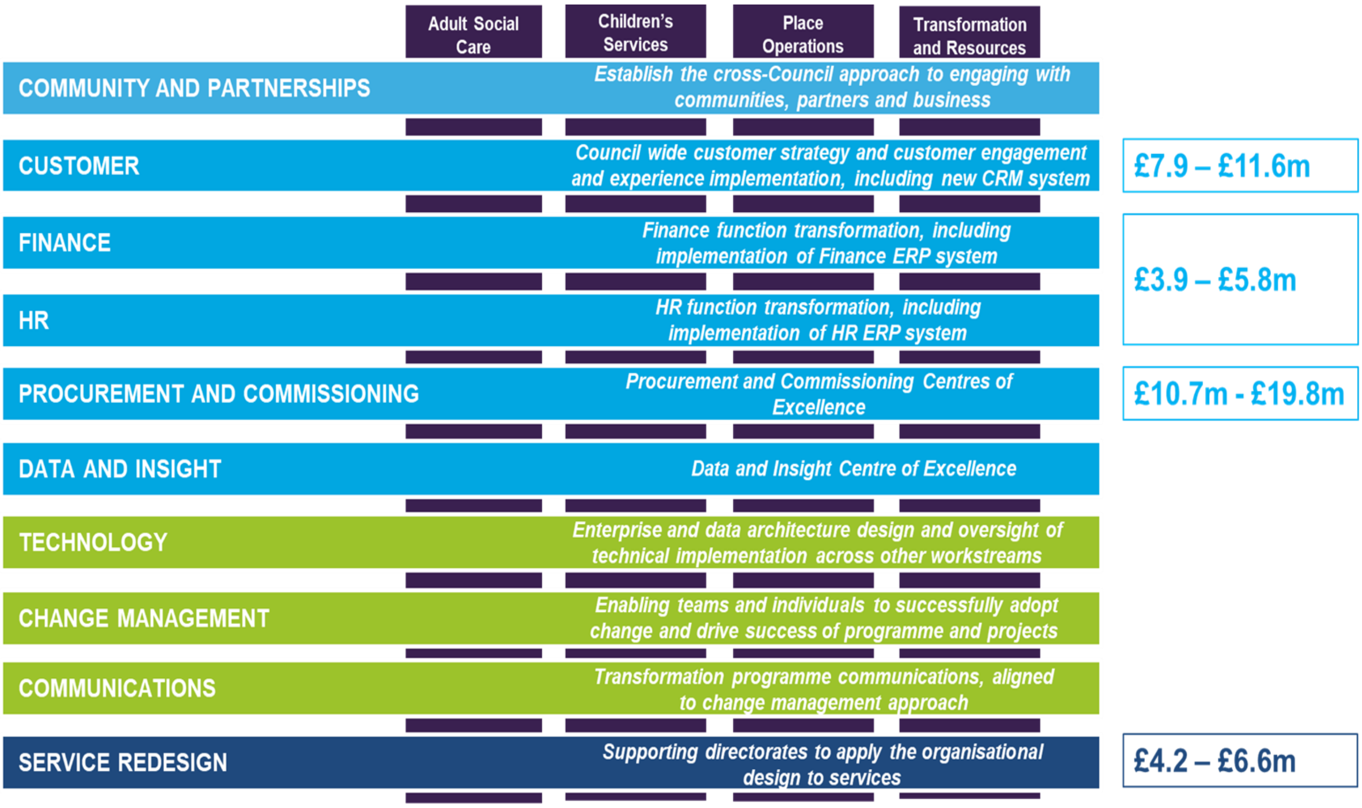
	Transformation Investment Programme Ongoing base revenue budget of the council	**2020/21 Actual £m**	**2021/22 Actual £m**	**2022/23 Estimate £m**	**2023/24 Budget £m**	**2024/25 Provisional £m**	**£m**
Revenue Budget	**Expenditure**						
	Licenses and other revenue costs of the programme	0.00	2.08	2.40	4.50	4.50	13.48
		0.00	2.08	2.40	4.50	4.50	**13.48**
	Savings and efficiencies						
	Transformation Programmme Savings	0.00	(3.95)				(3.95)
	Programmed 2022/23 savings = £8.7m (extra £1.2m)						
	2022/23 In year - Savings delivered			(7.10)	(7.10)	(7.10)	(21.30)
	2022/23 In year - Savings identified and deferred				(0.81)	(0.81)	(1.62)
	2022/23 In year - Savings deferred and unidentified				(0.79)	(0.79)	(1.58)
	Originally programmed 2023/24 savings = £18.7m (extra £10m)						
	3rd Party savings - Remaining to be identified				(5.70)	(5.70)	(11.40)
	3rd Party savings - Itemised				(3.34)	(3.34)	(6.68)
	3rd Party savings - within services savings proposals				(0.96)	(0.96)	(1.91)
	Originally programmed 2024/25 savings = £43.9m (extra £25.2m)						
	Staff savings - Remaining to be itemised					(15.86)	(15.86)
	Staff savings - within services savings proposals				(9.34)	(9.34)	(18.68)
		0.00	(3.95)	(7.10)	(28.04)	(43.90)	**(82.98)**

	Funding Implications on the revenue budget	**2020/21 Actual £m**	**2021/22 Actual £m**	**2022/23 Estimate £m**	**2023/24 Budget £m**	**2024/25 Provisional £m**	**£m**
Revenue Budget	**One-off Capital Investment**						
	Minimum Revenue Provision and interest implications	0.00	0.28	0.28	0.48	0.82	1.86
		0.00	0.28	0.28	0.48	0.82	**1.86**
	One-off Revenue Investment						
	Revenue foregone on asset disposed off	0.00	0.00	0.00	0.91	0.91	1.82
		0.00	0.00	0.00	0.91	0.91	**1.82**

Transformation Savings

72. The savings from the programme can be broken down into 10 separate workstreams with the total estimate being in the range £26.7m to £43.8m. Due to the increasing level of investment in the programme, the higher end of the range continues to be adopted as the basis of the council's financial planning as it has since 2019. These workstreams, and the savings they are assumed to deliver, can be articulated as follows.

Figure 14: Transformation savings workstreams.



73. This 2023/24 proposed budget further updates the delivery profile associated with these savings. The revised cumulative profile is as follows.

2022/23 £7.1m in annual savings (82% against a £8.7m target for the year)

2023/24 £28.0m

2024.25 £43.9m

Included within this breakdown are core increases of £10m in 2023/24 for third party spend savings and £25.2m in 2024/25 for employee costs savings. However, the amounts shown in Figure 13 have been broken down into those that have been included as part of individual service-based savings and efficiency proposals and those that remain un-itemised and therefore part of the core transformation programme. Attention is particularly drawn to the fact that £9.34m of employee cost savings are part of individual service-specific employee cost savings that will now be delivered a year earlier than planned, in 2023/24.

As is consistent with previous projections the budget has been prepared on the basis that the organisation will deliver against core increase of the extra £10m in 2023/24 and extra £25.2m in 2024/25 approved as part of previous years commitments. Members are reminded that the delivery of these assumed savings are a priority area over the next two years.

To aid delivery of savings this report recommends strengthening commissioning, procurement, and contract management arrangements. Evidence from the 2022/23 in-year expenditure control demonstrates that central controls can ensure more effective buying and commissioning decisions. Such arrangements in themselves though cannot guarantee the assumed identified third party spend transformation savings can be delivered but the control will support an effective outcome. The uncertainty around the current and future impact of inflation is particularly salient in attempts to capture savings from improvements in this area.

74. The cumulative savings from the transformation programme are specifically associated with.

- Reduction in employee headcount through the consolidation of common roles/work.
- Reduction in employee headcount through the consolidation of organisational layers/structures.
- Reduction in third-party spend through more robust procurement and contract management. This will include smarter ways of working such as the digital mail and the reduction of spend throughout the council by the centralisation of spending on items such as stationery, photocopying and printing.
- Review of the corporate structure to enable the council to continue to reflect and realign its management structure to ensure we are continuously improving towards being the organisation that we aspire to be and to ensure we deliver our priorities for our residents. This includes the integration of the library services with customer facing services and community hubs.
- The Council's estate and accommodation project.

Flexible Use of Capital Receipts (FUCR)

75. As part of 2015 Spending Review (SR15), the government announced that to support local authorities to deliver more efficient and sustainable services it would allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of service reform and transformation. Guidance on the use of this flexibility stipulated that it applied to the three financial years to end March 2019. However, this was extended for a further three years to 31 March 2022 as part of the 2018/19 local government finance settlement and for a further three years to 31 March 2025 in April 2022.

76. The current guidance makes it clear that local authorities cannot borrow to finance the revenue costs of service reforms or improvements. In addition, local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years the flexibility is offered. Local authorities may not use any existing stock of capital receipts to finance the revenue costs of reforming their services. Set up and implementation costs of any new processes or arrangements that will generate future ongoing savings and/or transform service delivery to reduce or improve the quality-of-service delivery in future years can be classified as qualifying expenditure. Costs associated with business-as-usual activity and the council's statutory duty to improve cannot be classified as qualifying expenditure. The ongoing revenue costs of any new processes or arrangements can also not be classified as qualifying

expenditure. In addition, the guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specifies that.

- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

- In using the flexibility, the council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice

77. Council has previous engaged with both CIPFA Consultancy and the External Auditor to provide assurance that any such costs which it wishes to fund from the FUCR accords with the statutory guidance.

78. Cabinet have previously made it clear that their preference is to assume that the costs of the transformation programme will be funded via the FUCR by current or additional asset sales. That said, Cabinet have also been clear that the council will continue the work necessary to agree the capitalisation direction with government which would allow up to £20m of revenue costs to be funded by borrowing. Such a position would allow the council the ultimate flexibility although in practice the council will endeavour to avoid drawing down the capitalisation direction, either in full or part, by delivering additional asset sales.

79. Based primarily on the reduction in the overall size of the transformation programme the latest profile of expenditure the council will need either capitalisation directions or additional capital receipts to fund is set out as follows.

Figure 15: Latest Capitalisation Direction – Flexible Use of Capital Receipts

	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Total £m
Transformation Investment Programme	19.90	20.29	6.74	46.93
Children's Services Transformation Programme	1.92	5.00	3.00	9.92
Adult Services - Care Technology October	0.00	0.35	0.15	0.50
Adult Services Transformation Programme	0.00	2.75	2.75	5.50
Capital Receipts - already delivered in previous years	(1.90)			(1.90)
Capital Receipts - previously scheduled and assumed deliverable	(7.40)	(3.70)	(1.10)	(12.20)
Capitalisation Direction	**12.52**	**24.69**	**11.54**	**48.75**

80. Over and above the investment in the core transformation programme, Figure 15 includes £9.92m investment in a Children's Services service specific transformation programme and a £6m investment in a similar programme for Adult Social Care. These continue to be linked to the delivery of £26.1m in assumed and currently unidentified savings in these services areas across the financial years 2024/25 to 2026/27. Savings of this nature were first included in the 2022/23 budget by applying a 2.99% future year's spending restriction to the 2021/22 budget and from 2024/25 converting that into an absolute value. The assumption is this will be the target savings that the service specific transformation investment will deliver. Any drawdown on these funds will be subject to the successful delivery of a business case to Cabinet/Council as necessary which demonstrates the expenditure accords with the statutory definition of transformation as per the regulations and identifies a clear link to the savings that will be delivered.

81. In respect of the additional asset sales for 2022/23, Council at its meeting on the 10 January 2023 agreed to dispose of the following:

- Wessex Trade Industrial Centre
- Airfield Industrial Estate Christchurch
- 35 Willis Way Fleet Industrial Estate, Poole
- Land at Crescent Road

82. Ideally in a completely robust budget position, via the recommendations of this report, approval would be sought for the asset disposals now required to deliver the additional capital receipts in 2023/24. However, Council on 10 January 2023 agreed to establish a cross -party working group to review the capital disposal strategy for 2023/24 with an intention that this group makes recommendations to Council as to the assets that should be sold. It is therefore suggested that this group makes its proposals by the end of June 2023. An associated issue is that the precise value of any additional sales required in 2023/24 will depend on matters such as the extent to which a capitalisation is drawdown in 2022/23 and the extent to which the previously assumed and recently agreed additional asset sales in 2022/23 are delivered. Current monitoring indicates that it will be challenging to deliver at least £4.3m of the £7.4m originally assumed 2022/23 asset sales. Council can though be assured it has significantly more assets that could be sold to generate such values, but it will be important that the process of disposal is started early in the new financial year to guarantee receipts are delivered by 31 March 2024.

83. The current FUCR guidance requires the efficiency statement to be approved by Council and that the Department of Levelling Up, Housing, and Communities are duly notified so they can keep track of the planned use of this flexibility for national purposes.

Business Rates

84. Our current financial planning assumption is that the council will retain £59.2m in business rates for 2023/24, excluding the impact of prior year surplus and deficits. This is an improved position compared to the 2022/23 budgeted amount as the impact of the revaluation for 2023 meant an overall increase in business rates valuation for the BCP Council area of 9.5%, compared to the last revaluation in 2017.

85. The revaluation is intended to be fiscally neutral at both the national and local level. The business rates multiplier is adjusted to offset the increase in rateable values. To some degree this is a judgement: although the VOA know the increase in rateable vales, they must estimate the losses in future business rates income arising from successful appeals. At BCP Council, the revaluation technical adjustment offsets the change in an authority's retained business rate income (non-domestic rating income plus s31 grants for reliefs) but the projected appeals are forecasted to be less than the multiplier allows.

86. Based on the NDR1 return, the net collectable business rates for the BCP Council area is £105m.

Post Covid19 – Recovery of Sales, Fees, and Charges Income

87. In setting the 2021/22 budget income targets for many services provided for time-limited adjustments to reflect the anticipated timeframe over which income was expected to recover from the pandemic. This adjustment reflected the pandemic had led to a 10% fall in economic activity over 2020 and an assumption that economic activity nationally was not expected to return to pre-Covid levels until 2023.

88. The 2022/23 Budget assumed the further recovery profile in the councils' sales, fees and charges income as set out in figure 16 below.

Figure 16: Recovery of sales, fees, & charges income included in the 2022/23 budget.

Budget Report 2022/23 Recovery Profile	22/23 £m	23/34 £m	24/25 £m	Total £m
Sales, Fees & Charges Income	(7.8)	(1.9)	(1.4)	(11.1)

89. The proposed budget as set out in this report assumes that besides car parking the final recovery will now occur completely in 2023/24 rather than being spread over the two financial years 2023/24 and 2024/25. The analysis of the income streams this assumption relates to is therefore set out in figure 17 below.

Figure 17: Recovery of sales, fees & charges income included in 2023/24 budget

	23/24 £000s	24/25 £000s
Operations – Transport – Car Parking Income	(2,067)	(1,033)
Operations – D&C – BH Live Service Fee	(95)	-
Operations – Communities – Market Income	(50)	-
Customer – Car Parking Income Civic Buildings	(10)	-
Total	**(2,222)**	**(1,033)**

90. It is important to acknowledge that the above income assumption is before any savings, efficiency or additional income assumptions set out in appendix 4a.

Assumed savings and efficiencies

91. Figure 18 below identifies that £34.8m in additional savings and efficiencies have been identified by services in establishing the budget for 2023/24 and these include assumed savings from the council wide transformation programme. These figures do not reflect several proposals to mitigate cost pressures or the assumed further recovery of sales, fees, and charges income from the impact of Covid-19.

92. Across the first five years of BCP Council the savings have flowed from reduced staffing, reduced operational costs, or from creating common and consistent charging policies. A detailed schedule of these assumed savings for 2023/24 is presented as appendix 6a.

93. It should be highlighted that from 1 April 2024 onwards the MTFP assumes as a matter of policy that locally set fees and charges will increase with inflation.

94. Figure 18 below sets out an analysis of the £82.7m budgeted savings and efficiencies for 2019/20 (£11.2m), 2020/21 (£9.4m), 2021/22 (£20.7m), 2022/23 (£6.6m), and 2023/24 (£34.8m).

Figure 18: Analysis of service-based savings (shown on an incremental basis)

	Budgeted 2019/20 £m	Budgeted 2020/21 £m	Budgeted 2021/22 £m	Budgeted 2022/23 £m	Estimate 2023/24 £m	Total £m
Staffing and organisation	(5.3)	(2.9)	(1.8)			**(10.0)**
Transformation Programme			(7.5)	(1.2)		**(8.7)**
Transformation General		(1.0)	(0.3)			**(1.3)**
Democratic Representation	(0.5)					**(0.5)**
External Audit	(0.2)					**(0.2)**
Service Efficiencies						
Adult Social Care	(2.0)	(2.0)	(5.8)	(2.1)		**(11.9)**
Children's Services	(0.2)	(0.1)	(0.7)	(2.2)		**(3.2)**
Operations	(0.7)	(0.7)	(1.7)	(0.8)		**(3.9)**
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)	(0.3)		**(5.4)**
2023/24 Budgeted Savings						
- List One					(32.9)	**(32.9)**
- List Two					(1.6)	**(1.6)**
Total	**(11.2)**	**(9.4)**	**(20.7)**	**(6.6)**	**(34.5)**	**(82.4)**

95. 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 forecast to be £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.

Schools Forum

96. Schools Forum is a statutory body of the council and must be consulted on all school funding budget allocations. It also has a range of decision-making powers regarding the level of budgets held centrally and whether any funding provided for mainstream schools can be transferred to other budget areas.

97. The BCP Schools Forum has a complement of twenty-four members with representation from all categories of schools. Two meetings were held over the autumn and one in early January 2023, with recommendations and decisions made for the BCP Council budget regarding school funding through the ring-fenced DSG.

Dedicated Schools Grant (DSG)

98. The gross DSG of £334m provides funding for mainstream schools for pre 16 pupils, private, voluntary, and independent nursery providers, a small range of central school services (for example, school admissions) and specialist provision for children and young people with high needs. High needs budgets include funding for mainstream schools and

specialist providers to support pupils with education, health, and care plans (EHCPs) aged 0-25, and those educated out of school, for example due to permanent exclusion or medical needs. Academies are funded from the gross DSG allocation but with amounts subsequently recouped by the DfE to enable the budget share for pre 16 pupils to be paid directly by the Education & Skills Funding Agency (ESFA).

99. The DSG is allocated to the council through four funding blocks, each with its own national formula methodology: early years, mainstream schools, high needs, and central school services. Distribution to councils linked to historic allocations has now largely ended, with some funding protection mechanisms in place to reflect that expenditure patterns once well-established cannot be changed quickly.

100. The council brought forward a DSG accumulated deficit of £20.3m in April 2022 due to the now recognised national underfunding of the high needs budget. The deficit was budgeted to grow by £16.7m during the current 2022/23 financial year. The deficit arises from the restrictions in how funding can be moved between blocks with it not possible to reduce expenditure to balance the account as well as meet the statutory education entitlements of pupils identified with high needs. In the December report a £1m improvement in the budget gap was projected. Latest estimates reduce this to £0.4m as new placements have been made at higher costs than expected. The projected 31 March 2023 position is as follows.

Figure 19: Summary position for Dedicated School's Grant 2022/23

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2022	**20.3**
Budgeted high needs shortfall 2022/23	16.7
Projected in-year saving	(0.4)
Projected accumulated deficit 31 March 2023	**36.6**

101. The accumulated deficit on the DSG is currently forecast to grow as follows.

Figure 20: Accumulating deficit on the Dedicated Schools Grant

	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
Dedicated Schools Grant (1)	(20.3)	(36.6)	(63.7)	(106.6)	(159.8)	(224.0)
Dedicated Schools Grant (2)	**(20.3)**	**(36.6)**	**(63.7)**	**(105.9)**	**(157.8)**	**(218.7)**

Line (1) represents how the DSG deficit would grow based on the current pattern of provision and growth, with no new actions beyond those already planned.

Line (2) assumes savings can be delivered with a high confidence level from the activities identified through the DBV programme (see section below). The timescale to deliver most savings is beyond the MTFP period. By March 2028 (a year beyond the above plan) cumulative savings over the 5 years with the assumptions in the above table are projected at £14.5m. The best-case scenario identified (not assumed for line 2) are cumulative savings over 5 years of £32 million. Savings are from reducing EHCP growth, greater proportion of placements in mainstream schools, new places being created in *special schools and with better utilisation to reduce use of higher cost independent schools.*

Detailed internal work has taken place to project the March 2023 deficit and growth up to March 2024 with funding known for this period. The figures beyond March 2024 are based on the work of the DBV consultants.

High needs block - £59m

102. The issue of local authorities incurring expenditure greater than the resources made available by government for the High Needs Block of their Dedicated Schools Grant has been an issue ever since the introduction of Education, Health, and Care Plans (EHCPs) under the Children's and Families Act 2014. These EHCPs are legal documents which set out a child or young person's special educational needs and the support that is required to meet those needs. It is widely acknowledged that Local Authorities have all the responsibility for maintaining high needs expenditure within budget, and yet have almost no hard levers within which to affect this.

103. The Department for Education (DfE) strategy for tackling the national problem of accumulating deficits on the DSG due to the expenditure on the high needs block is;

1. **Safety Value:** In April 2022 nine authorities, on top of a previous five, were told to make structural reforms to their special educational needs and disabilities (SEND) services in exchange for a government contribution towards their accumulated and projected deficits on their DSG. Dorset Council (DC) was one of them. BCP Council was not invited to be part of the Safety Value mechanism because at the time our deficit compared to our dedicated schools grant was not one of the highest.
2. **DBV:** A number of authorities who have growing and accumulating deficits but whose deficits at the time were not one of the highest were invited to take part in the governments voluntary transformation programme "Delivering Better Value (DBV) in SEND" programme. BCP has agreed to be part of this programme and it is linked to Ofsted as we have a Written Statements of Action. As part of this programme the Council will get access to resources to support the delivery of reforms.
3. **Statutory Instrument:** Any private sector organisation which has negative reserves on its balance sheet, is likely to fail the "going concern" accounting concept. In local government a material uncertainty related to "going concern" is unlikely to exist as the financial reporting framework assumes the council's services, at least its statutory services, will continue to be delivered in all scenarios. Therefore, in local government the most likely scenario is the councils Section 151 Officer would have to contact DLUHC to advise them of their financial concerns and possibly issue what is referred to as a s114 report. A section 114 notice would result in an immediate and severe curtailing of activity to the provision of non-statutory services. Even statutory services may be subject to a reduction in frequency or quality.

   Due to the accumulating deficit on our Dedicated Schools Grant, BCP Council is projected to have negative reserves by the 31 March 2024.

   However, to mitigate this position, which is a problem nationally, the government issued a DSG statutory override by way of a statutory instrument (SI) for all authorities which became law at the end of November 2020. This SI means the council cannot 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.

   The statutory instrument reads as follows.

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.

On the 12 December 2022 as part of a local government finance policy statement government announced the extension of the DSG statutory override for a one-off period of three years up to 31 March 2026.

At the end of the three-year extension BCP Council is currently forecast to have an accumulated deficit in the region of £160m, which either the government, the council, schools, or a combination thereof will need to finance. Therefore, as a sector, local government continues to look to government to find a long-term solution.

It should be highlighted that the council is required to cash flow the DSG deficit which means it either has less cash on which to earn interest, it must borrow more and cover the cost of this borrowing, or a combination of the two. Based on an average deficit of £50m 2023/24 and forgone investment income say at 2.5% it is estimated that having to cashflow the DSG deficit will cost the council approximately £1.25m in 2023/24.

4. **Additional funding:** As part of the Autumn Statement the government announced that the core schools' budget will increase by £2bn in 2023/24 and £2bn in 2024/25 over and above the amounts included in the 2021 Spending Review. £400m of this additional £2bn is being allocated to high needs budgets. However, the DSG conditions of grant for 2023/24 stipulate the method by which a high proportion of the increase in funding is to be allocated to local specialist state-funded providers (maintained and academy special schools, hospital schools and alternative provisions). This includes providing a minimum funding uplift of 3% to top up band funding levels compared with 2021/22 and as a separately identifiable funding stream a further 2.4% based on estimated average top up funding for 2022/23. The DfE would have to approve any override of these conditions for individual schools.
5. **Reforms:** Early in the new financial year alongside their SEND Improvement Plan the DfE will support all local authorities to look at what positive action can be taken now to bring high needs costs under control, to bring down DSG deficits and prepare for wider SEND system reform.

Early years block - £22 million

104. The Department for Education (DfE) introduced a national formula in 2017/18 to fund Local Authorities for the free education childcare entitlements for those aged 2, 3 and 4. This provided a significant increase in funding for the legacy councils in the first year of a static 3-year funding rate. An increase of less than 2% was applicable for all local authorities in 2020/21 and 2021/22. The increase for 2022/23 was improved at 4% but a greater proportion of funding needed to be set aside locally for the SEND inclusion fund paid to providers to support the rising number of children identified as needing additional support within settings. The increase affordable for the formula base rates paid to providers from early years funding was again only 2%, although the schools Forum agreed to top this up from surplus school block funding. This was for one year only so it would act to supress the % increase in provider funding affordable from the early years funding in 2023/24.

105. The funding increase from government for 2023/24 across the early years age range averages 5.2%. A consultation took place with all providers based on indicative funding in December / early January regarding how the provider funding formula is to be updated for the new funding level. The outcome of this was considered by the School's Forum in January 2023 and a recommendation made to Council which is considered in a separate report on the meeting agenda. School's Forum also agreed at the meeting that surplus schools block funding could again be allocated to support SEND in early years.

106. The level of funding retained for central budgets relating to the free entitlements has been agreed by the school's forum. The amount centrally retained is the same as last year and less than the 5% maximum allowed.

School's block - £251.1 million

107. The national funding formula (NFF) for mainstream schools funding provided a £3.7m (1.5%) increase for 2023/24 due to uplifted formula values and revised local school data. A further £2.3m (1%) has been provided in final allocations through growing pupil numbers from the October 2022 school census.

108. Consultation was undertaken with all schools in November / December regarding the mainstream school formula and level of funding transfer to high needs in 2023/24. The School's Forum received the outcome of this consultation in January. A separate paper on this meeting agenda includes proposals for Council decisions regarding the mainstream school's formula.

109. As last year, a mainstream school additional grant (MSAG) outside the DSG in 2023/24 of £8.5m is being allocated to schools by the DfE to reflect unforeseen additional cost pressures that have emerged since the DSG funding announcements in July 2022. This funding will be allocated using some of the same factors as within the schools NFF and will be subsumed into the DSG in 2024/25. The DSG increase and additional grant together provide an increase to mainstream schools of 5.9%.

110. Also included in the school's block is funding for pupil growth in mainstream schools from September 2023. These allocations are made to schools where growth meets specific national criteria. The DSG allocation has decreased slightly compared with last year.

Central school services block - £2 million

111. The funding is provided largely through a national formula for on-going functions with the per pupil rate reducing annually from the transitional protection arrangements. Pupil number growth provides some mitigation with only a small overall reduction between years. Historic commitments in BCP are being funded at the announced 20% planned reduction with an application to the DfE to have funding restored to previous levels in progress. Funding in this block supports specific central services for all schools and the DSG budgeting system. The School's Forum has agreed the budgets are set at the level of funding.

Maintained schools

112. On 1 April 2022, one maintained primary school joined a local multi-academy trust. BCP therefore, currently has 15 schools plus the Christchurch learning centre to maintain as of April 2023. Funding to continue statutory services for maintained schools is to be provided from central retention of maintained school budget shares through agreement of maintained schools representatives at school's forum. This retention totalling £0.2m has been agreed by the relevant members of the School's Forum. A

separate de-delegation of funding to continue school improvement functions for maintained schools previously funded by DfE grant has also been agreed. Funding approval through the School's Forum for these statutory services needs to be sought each year.

Academies

113. Academies are independent organisations; their funding and expenditure is not contained within the council's budget.

Education & Skills Funding Agency (ESFA)

114. Funding for mainstream post 16 pupils is provided by the ESFA and is passported directly to schools. This budget remains estimated as the ESFA will not provide the detail of allocations until later in the year.

Schools' pupil premium

115. The school pupil premium is funded by the DfE and is passported to schools. It is allocated according to the number of pupils eligible for free school meals (FSM) from low-income criteria, Children in Care (CiC) or adopted, and of forces personnel with funding rates uplifted by 5% for 2023/24.

Capital strategy

116. As part of providing vital services to our local community, the council is required to invest in, and maintain, a portfolio of land, property and other assets including.

- Highway infrastructure such as roads, footways, and bridges.
- Schools and adult education centres.
- Parks and open spaces including the seafront and coastline.
- Vehicles, plant, and equipment.
- Administrative offices.
- Approximately 9,575 council homes (through the Housing Revenue Account).

117. The council's capital investment programme sets out the resources that it has agreed to spend on such assets and in doing so driving local economic growth and supporting the delivery of council services.

Capital Strategy: Overview and core principles

118. The capital strategy is based on the following core principles:

- Capital projects are supported by appropriate business cases, that clearly identify funding sources, and are approved in accordance with the council's financial regulations. No project that relies on government grant, external funding (including third party contributions) or capital receipts can commence until the council has complete assurance the funding will be / has been received or has otherwise explicitly agreed to accept the risk.
- The use of prudential borrowing for capital projects where no alternative source of funding is identified must comply with published HM Treasury PWLB borrowing restrictions. Business cases must demonstrate the debt is affordable, prudent, and sustainable and that the council is able to meet annual borrowing repayments. The council's overall borrowing capacity is set out in its treasury management strategy.

- Interest rates from the council's invest-to-save framework (which provides a framework through which to recognise an appropriate level of risk for each project) are applied to all business cases that rely on future income streams from which to meet annual borrowing repayment costs. Such business cases are required to show the impact on affordability by reference to the current prevailing and the invest to save interest rates.
- BCP Council's capital resources (community infrastructure levy (CIL), developer s106 contributions, capital reserves, capital receipts) are prioritised towards:
  - commitments under the council's flexible use of capital receipts strategy
  - schemes which require a local contribution to leverage in capital grants or external capital contributions
  - schemes which enable delivery of the savings assumed within the MTFP
  - schemes which enable the council to exploit its assets
  - schemes which protect key infrastructure
  - schemes considered a corporate priority.
- No resources are earmarked within the capital strategy for the consequential impacts of capital investment on the council's revenue budget (for example programme maintenance). These must be identified and managed within revenue budgets set as part of the MTFP.
- Funding earmarked for delivery of the capital strategy (including external government grant and new borrowing facilities) is only recognised within the capital programme as these funds are used / allocated to approved capital projects.

Capital Investment Programme (CIP) - overview

119. BCP Council's 5-year Capital Investment Programme (CIP) consists of £180m capital budget in 2023/24 and a further £153m capital budget in the following four years, a total 5-year programme of £333m spend on assets and infrastructure across the conurbation. The programme includes capital projects commissioned through BCP FuturePlaces on behalf of the council, but excludes projects undertaken by the Bournemouth Development Company (BDC). The latter are approved, monitored, and reported outside of the council's general fund capital investment programme.

120. Cabinet on 28 September 2022 agreed to remove from the capital programme the council's debt commitments to the BDC Winter Gardens and Cotlands developments.

121. A number of regeneration business cases are being progressed by BCP FuturePlaces Ltd. These schemes will be added to the CIP once approvals have been obtained separately via reports and decision records that will be considered by Officers, Members, Cabinet and Council as appropriate.

Capitalisation of Highway Neighbourhood Expenditure

122. Following on from decisions to capitalise around £1m highways maintenance neighbourhood expenditure as part of both the 2021/22 financial outturn and 2022/23 in-year position, the budget proposes to capitalise £0.9m per annum from 2023/24 onwards. The spend includes investment in the replacement of kerbs, bollards and fencing, inspection works that result in capital replacement works, inspection works that result in new pipework's, and chambers and replacement of failing assets. Accounting treatment (as set out in the CIPFA Code of Practice) permits the capitalisation of such spend. It is proposed that prudential borrowing is used to fund the expenditure, to be repaid over 25 years. The cost of the additional borrowing has been factored into the

budget for 2023/24 and reflects the implications of both the 2021/22, 2022/23 and 2023/24 borrowing.

Capital Investment in Seafront Infrastructure

123. Further to the Provision of Beach Huts paper presented to Cabinet on 14 December 2022, the service has ongoing revenue funding to support major capital investment of £5m every 25 years funded by prudential borrowing.

Council Newbuild Housing and Acquisition Strategy (CNHAS)

124. At the 7 September 2022 Cabinet meeting it was unanimously agreed to recommend that Council approves:

a. The increase to the budget for street acquisitions (programme 4a) previously approved by Council in February 2022 from £47.9 million to £68.8 million. This was subject to confirmation from the council's Chief Finance Officer in advance of committing sums contractually, that appropriate capital funding has been identified and approved. Also, that the investment demonstrates robust value for money and there is certainty that the investment is an improvement on the current plan's financial performance. The additional £20.9m has been added to the CIP.

b. The expansion/amendment of the types of building and housing units within them that can be purchased to include - where part of regeneration and/or permitted development activity:

   i. newbuild residential units, both as individual acquisitions and

   ii. block purchases of multiple units whose total costs exceed £1m but are delivered within the budgetary constraints of the programme with the average individual new unit total scheme cost below £0.5m each

c. Delegation to the Chief Operations Officer, in consultation with Director of Finance, Director of Housing, Monitoring Officer and Portfolio Holders for People & Homes & Development, Growth and Regeneration the approval through an officer decision record process of any purchase of a block of housing units in paragraph b) ii above.

d. Delegation to the Chief Executive to agree a process for securing an independent assessment of value for money relating to any acquisitions where council officers or elected members have an interest.

e. BCP Council execute the appropriate Homes England grant agreement.

f. An appropriate option for the Princess Road development is to be taken forward with details contained in the September report confidential appendix.

125. Subsequently, an officer decision record dated 7 October 2022 used the chief executive's urgency powers to approve items b), c), d), and e) in the paragraph immediately above.

126. This report requests Council's approval regarding recommendation a) above and the increase of £20.9m to the acquisition programme.

<u>Futures Fund</u>

127. In addition, 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 in line with existing council policies and decisions.

128. Commitments made to previous schemes under the Futures Funds and Green Futures Fund 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
£1.2m	Match funding to the resources provided by Salix

129. The council's HRA capital budgets are also reported separately to the general fund capital investment programme.

130. Outside of the budgeted capital programme, the council will continue to encourage, support, and enable strategically important private or public investments that benefit the conurbation including investments by the local universities, local organisations affiliated with the National Health Service, Bournemouth and Poole College, Port of Poole, Bournemouth Airport, academies, and other local employers.

Capital – planned expenditure

131. Over the next five years, £333m capital investment is approved and planned across all service directorates. The investment is broad and ranges from investment in adult social care to major transformation programmes. A full listing of capital projects is provided in Appendix 7a. Further detail on the planned investment by directorate is also provided in Appendix 7b.

132. Figure 21 presents a high-level summary of planned capital spend over the next four years. Of this £180m is planned in 2023/24. Around 35% of planned 2023/24 spend is on investment in highways and coastal protection across the conurbation (including the Transforming Cities Fund (TCF) Programme). Significant investment (37% of 2023/24 spend) is also planned on housing, regeneration, and major projects. This includes the Council Housing Newbuild & Acquisition Strategy (CHNAS) and major place-shaping developments delivered in partnership with BCP FuturePlaces. Ongoing investment in estates, fleet operations, seafront development, and organisational design is also planned for 2023/24 (around 26% of planned expenditure).

Figure 21: Capital Investment Programme to March 2028

Capital Investment Programme 2023/24 to 2027/28						
General Fund	Planned Programme 2023/24	Planned Programme 2024/25	Planned Programme 2025/26	Planned Programme 2026/27	Planned Programme 2027/28	Total 2023 to 2028
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care (Integrated Community Equipment)	2,206	2,172	2,180	2,196	2,214	10,966
Children's Services	845	775	375	325	-	2,320
Transport & Engineering - Highways (inc indicative Pothole Grant and Local Transport Plan Grant)	12,813	8,788	8,788	8,788	8,788	47,965
Transport & Engineering - Transforming Cities Fund	34,821	-	-	-	-	34,821
Transport & Engineering - coastal protection	16,255	7,329	7,347	1,862	-	32,792
Economic Regeneration	1,869	-	-	-	-	1,869
Major Development Projects	27,341	9,636	35	-	-	37,013
Destination & Culture (inc seafront development)	29,781	12,160	-	-	-	41,941
Housing & Communities (inc major housing development)	38,010	35,149	19,673	1,424	1,424	95,679
Hard Facilities Management (corporate estates)	674	518	518	518	518	2,746
Environment (waste, fleet, parks & open spaces)	11,918	6,873	410	410	410	20,021
Resources (ICT investment including Organisational Design)	3,660	905	-	-	-	4,565
Capital Investment Planned	180,193	84,304	39,325	15,522	13,353	332,697

133. The CIP consists of capital schemes that have either already been approved or that seek approval in accordance with the council's financial regulations and governance framework. It excludes potential new projects that have not yet progressed to a stage where they have been fully costed.

134. The CIP is underpinned by separate capital strategies / reports including:

- CIP individual project listing (Appendix 7a)
- CIP narrative by directorate (Appendix 7b)
- IT & IS capital infrastructure investment plan (Appendix 7c to this report)
- Local Transport Plan (separate report to be subsequently considered by Council)

135. The 2023/24 budget for the CIP will change over the course of the year. Unspent approved capital budget from 2022/23 will be added to the current budget 2023/24 CIP, new capital projects will be approved and others potentially revised. In-year government grant allocations will be finalised, and the CIP adjusted where indicative grant allocations have been used.

Capital – planned funding profile

136. The CIP continues to be funded from a combination of government grant and other external funding sources (s106 contributions, CIL, and third-party contributions) and prudential borrowing. As a result of extensive capital programme refinancing over the last few years, the use of capital reserves and capital receipts to fund capital spend is now comparatively small and is restricted to legacy authority allocations of ringfenced reserves and receipts.

Figure 22: Capital Investment Programme funding profile

General Fund	Planned Programme 2023/24 £'000	Planned Programme 2024/25 £'000	Planned Programme 2025/26 £'000	Planned Programme 2026/27 £'000	Planned Programme 2027/28 £'000	Total 2023 to 2028 £'000
Government Grant	82,384	28,729	16,881	11,835	11,406	151,236
RTB receipts	525	162	-	-	-	687
Third Party Receipts	1,371	-	-	-	-	1,371
s106	622	-	-	-	-	622
CIL	2,446	-	-	-	-	2,446
External Funding Contributions	87,348	28,891	16,881	11,835	11,406	
Corporate Revenue Funding for Capital (in year	518	518	518	518	518	2,590
Capital - Earmarked Reserves	1,492	840	-	-	-	2,332
Revenue - Earmarked Reserves	25	-	-	-	-	25
PRU Borrowing - funded from Futures Fund	5,733	4,733	-	-	-	10,466
PRU Borrowing - funded from MTFP revenue bu	85,077	49,322	21,926	3,169	1,429	160,923
BCP Funding Requirement	92,845	55,413	22,444	3,687	1,947	
Capital Investment Funding	180,193	84,304	39,325	15,522	13,353	332,697

137. Annual prudential borrowing repayments associated with the CIP have been factored into the Medium-Term Financial Plan (MTFP).

Capital – financial risks

138. The main financial risks are associated with rapidly increasing inflation driven by the post pandemic economic environment, the war in Ukraine, and government fiscal policies. Senior responsible officers (SROs) for all projects have been asked to review their projects and assess their viability. For those that have already commenced they will need to reflect on the contract position and the adequacy of any project contingencies. For those that have not started this will involve making sure that cost estimates factor in current costs of material and labour and make appropriate provision for their uncertainty moving forward. SROs for those projects funded by borrowing will be required to also consider the surety of an income stream and any necessary adjustments such as uplifts to rental income.

139. The volatility of interest rates and its impact on the cost of borrowing may also affect the ability to proceed with a capital scheme. There could be significant variances between the rate assumed in the business case and the rate when the debt is secured.

140. There is also risk associated with grant funding assumed within the CIP. This includes indicative in-year allocations (including Local Transport Plan and Disabled Facilities Grant) that are estimated based on previous in-year government grant allocations but will not be confirmed until later in the financial year. Where required budgeted capital spend in the CIP will be adjusted as indicative grant funding is confirmed.

141. The Transforming Cities Fund (TCF) was awarded on the assumption that £11.5m of third-party contributions from bus companies would form part of the local contribution requirement. This consisted of complementary bus operator investment in new vehicles, engine upgrades and investments in new routes that is not captured within the CIP but would need to be evidenced by third parties. Discussions are ongoing with bus operators to confirm the ongoing availability of this funding. The council is considering what alternative local contributions could be attributed to the TCF Programme to mitigate the potential impact. This risk has been raised with the DfT and, at this stage, they have not indicated that it would impact the overall grant award.

142. The CIP assumes the use of strategic CIL to fund specific capital projects. CIL is allocated to the programme on a 'cash receipt' basis. There is financial risk that residual unallocated CIL balances are insufficient to meet new community infrastructure needs – for example those arising from new CNHAS housing developments.

Asset Management Plan (AMP)

143. An asset management plan (AMP) is the foundation to ensuring the council's portfolio of assets is being managed in the most efficient and cost-effective way. It is a time-bound commitment to action that ensures that the council's property assets are proactively managed to fully meet both its current and future requirements, with an increasing focus on long term financial and climate sustainability.

144. Attached as Appendix 8 is an initial AMP for the council. It is recognised that this document will need to evolve into a more comprehensive and traditional full plan as advocated by best practice. This will take place alongside the implementation of a new organisational structure to centralise all aspects of land and property management, referred to as a corporate landlord model (CLM).

145. Appendix 8 also includes a high-level action plan for the next 12 months. Included is the adoption of a community asset transfer (CAT) policy which will enable community organisations to take over publicly owned land or buildings and gain responsibility for the ownership, management and running costs of assets. A consultation on the CAT policy was open between 14 September and the 25 November 2022. Feedback will help shape the policy which is then due to be brought to Cabinet in March 2023.

Summary of risks included in the 2023/24 Budget

146. The proposed revenue budget for 2023/24 includes risks which are set out clearly in this report and which mean that the council will need to focus on mitigating those risks and completing the agreed actions. The long-term financial sustainability of the council is dependent on balancing the revenue resources available each year with the costs of providing services and taking account of the impact of inflation and increasing demand for our services, both for next year and the longer-term future.

147. The risks included within the proposed budget include:

- The delivery of over **£35.5m** of List One and List Two savings on top of material reductions in the availability of one-off resources to support the summer response
- The delivery **of £6.5m** of transformation savings (included in the £35.5m figure above) through procurement and commissioning activity that have not yet been explicitly identified.
- Preparation for **£25m** of transformation savings through staff reductions by 1 April 2024.
- Inflation, including the April 2023 pay settlement which has been included in the 2023/24 budget **at 4.25%**.
- The continued growth of the deficit on the DSG which is covered by the statutory override for the next three years.

148. Councillors should also be aware of the very significant changes being made to the council's operations, which add to the risks in delivering the budget including:

- Delivery of a new Finance and HR system (the Enterprise Resource Platform or ERP) across the Council in April 2023.
- Delivery of new service systems including for Adults and Children's Social Care (Mosaic), Legal Services and Planning during 2023.
- Implementation of a new pay and reward structure for every employee across the council over the next 9 months.
- The local election for the whole council on 4 May 2023.

149. The degree of risk contained within the budget requires that appropriate mitigation measures be put in place and that the executive focuses on delivering the key changes that are required to balance this budget. Corporate Management Board are clear about the actions that they need to take, and they will work with Cabinet, to put the appropriate actions in place to deliver a balanced budget once agreed by Council.

Both government and the external auditor are closely monitoring the financial sustainability of the council and while neither of those organisations can instruct the council to take specific action regarding council tax levels, they will both confirm that councillors should take account of the advice provided by its professional officers.

Reserves

150. It may be worth emphasising that reserves should not be seen in a short-term context. They should also be placed in the context of cost-of-living inflationary pressures and the high level of uncertainty at this time. Potential cost pressures, demand pressures, service delivery improvements and the need to deliver significant levels of savings and efficiencies in balancing the 2023/24 budget will require the council's finances to be underpinned by a robust level of reserves.

151. As part of his formal annual section 25 report the council's s151 officer is required to report on the adequacy of reserves. This assessment is summarised later in this report. In general councils hold two main forms of reserves.

152. **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 risk associated with the operation of the council and the management of service expenditure, income, and the council's funding.

153. Analysis included in the June 2022 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 CIPFA.

154. To counter this the MTFP makes provision for a £1.934m investment into unearmarked reserves in 2023/24. This includes the £700k per annum included in the MTFP from 2022/23 as part of the financial strategy to gradually increase the unearmarked reserves to reflect the increasing level of annual expenditure. The decision of Cabinet in December 2022, to include within the £1.934m an additional one-off £1.234m was on the basis that this was the amount needed to bring the reserves to the 5% CIPFA minimum recommended level.

155. **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 and 2023/24 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.

156. The council had earmarked reserves of £114m as at 31 March 2022. Of this, £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.

157. The financial strategy supporting the development of the 2023/24 budget set out the intention to constantly challenge each of the earmarked reserves to ensure that funds are not being tied up unnecessarily. The outcome of the review was, where appropriate, to release resources to support the proposed budgets of the council. This approach will though need to acknowledge the underlying risk associated with the growing deficit on the Dedicated Schools Grant as set out earlier in this report.

158. **Figure 23: Latest Reserve Forecast**

	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	16.0	17.9	18.6	19.3	20.0
Earmarked Reserves	17.0	12.8	12.5	12.6	12.8
Reserves established to support the 2023/24 Budget as per cost-of-living mitigation strategy					
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	10.1	0.0	0.0	0.0	0.0
Total General Fund Reserves	**62.6**	**30.6**	**31.1**	**31.9**	**32.8**
Dedicated Schools Grant (1)	(36.6)	(63.7)	(106.6)	(159.8)	(224.0)
Dedicated Schools Grant (2)	**(36.6)**	**(63.7)**	**(105.9)**	**(157.8)**	**(218.7)**
Net Position DSG1 – (Deficit)	**26.0**	**(33.1)**	**(75.5)**	**(127.9)**	**(191.2)**
Net Position DSG2 – (Deficit)	**26.0**	**(33.1)**	**(74.8)**	**(125.9)**	**(185.9)**

Sensitivity analysis

159. A key determinate as to the adequacy of reserves is the sensitivity within the budget and how quickly the demands that the council is required to manage, and their associated cost, can change. It continues to be the case that relatively minor changes or shifts in key planning assumptions can have a significant impact on the council's financial position as highlighted in figure 24 below.

Figure 24: Council sensitivity to potential changes in assumptions

	Impact on level of net expenditure or council tax requirement £000's
Looked after child (average high cost - residential) – per child	578
Looked after child (average cost of top 10 independent fostering) – per child	100
Intensive homecare package for a disabled person	285
Vulnerable adults (learning disability – residential < 65)	184
Older person's supported residential care	50 *average* 177 *higher end*
Increase in adults' cost of care for every 1p increase in the hourly national Living Wage rate	100
Increase in the **£7.7m** cost of the concessionary fare scheme to the council	£77k per 1% increase in journey numbers

160. In being mindful of these key sensitivities it should be established that the cost of a looked after child or vulnerable adult can exceed £1m per year for a single case which the council is responsible for paying in the first instance. It is only subsequently able to reduce the amount to those shown in figure 24 above once it has negotiated a contribution from National Health Service Dorset. The risk of achieving this outcome is held by the council. It is also worth bearing in mind that every £100,000 is equivalent to the council tax generated on 62 homes (2022/23 band D equivalents).

161. Also, of relevance to the sensitivity of the budget is the robustness of the estimates made to underpin that budget. As per the position on reserves the councils s151 Officer if formally required to report on their robustness as part of his formal annual section 25 report.

162. Officers will have factored into their assumptions numerous matters such as government announcements, economic forecasts, trend analysis and professional judgement. Of particular relevance, is the uncertainty at this time due to the inflationary environment and any new programmes, initiatives or approaches being adopted for the first time which inevitably carry a greater level of risk than business as usual activity.

163. The budget as proposed is also premised on the assumption that any changes between the provisional 2023/24 Local Government Finance settlement, issued in December 2022, and the final settlement due in early February 2023, will be addressed as a movement either to or from the base revenue contingency.

Treasury Management Strategy (TMS)

164. The council's Treasury Management Strategy is subject to regular review and was last reported to the Audit & Governance Committee for monitoring and update purposes in January 2023. The council is required to set its prudential indicators in the context of

the overall strategy on an annual basis. The treasury strategy, practices, and prudential indicators for 2023/24 are set out in Appendix 9 for approval by Council.

165. A significant element of the TMS is the council's approach to balancing the risks associated with its need to borrow, namely.

a) *Credit Risk*: Which is the risk associated with an institution failing and the council's investment being reduced due to bank bail-in arrangements. An approach to managing this risk is to use internal balances before undertaking external borrowing which will also provide a better return for the council as the cost of borrowing exceeds any value the council could earn on these internal balances.

b) *Interest Rate Risk:* This is the exposure to interest rate movements on its borrowing and investments. The council is susceptible to upward movements in long term rates given the amount of borrowing still required over the next 5 to 10 years.

c) *Re-financing Risk:* Focuses on managing the exposure to replacing current financial instruments (borrowings) as and when they mature.

d) *Liquidity Risk:* This aims to ensure the council has enough cash available as and when needed.

166. The strategy is significantly influenced by the requirements of the devolved system of council housing (HRA) finance. This includes the operation of a two-pool approach to debt management with the debt of the HRA (*council house tenant account*) and that of the General Fund (*council taxpayers account*) separated. All external debt is taken out by reference to the relevant pool although it should be noted that there is still flexibility to transfer debt between the two if required.

167. The strategy is also required to set out the council's approach to the repayment of debt referred to as the minimum revenue provision (MRP). In this regard the council's approached is.

- a 2% straight line method for all supported borrowing capital expenditure incurred prior to 2016/17.
- the asset life method for all unsupported borrowing capital expenditure incurred prior to 2016/17. An average 25-year life will be used.
- a realignment of MRP charged to the accounts to recognise excess sums made between 2004 and 2016. Total MRP after applying the realignment will not be less than zero in any financial year.
- An asset life basis applied to capital expenditure schemes 2016/17 onwards.

Council decision in November 2022 to increase debt threshold to £1.334bn

168. A key financial matter introduced to Council via its approach to Treasury Management, and fundamentally part of its prudential indicators, was the decision in November 2022 to increase BCP's self-imposed debt threshold from £855m to £1.334bn. Previously, as part of the financial strategy supporting the development of the 2022/23 budget, council approved the extension of our borrowing threshold to £855m which at 257% of our net revenue expenditure (NRE) moved it to the mid-point range compared to upper tier authorities including metropolitan boroughs. The increase to £1.334bn which formed part of the original budget strategy for 2023/24 is based on moving our debt to 387% of our NRE and positions BCP at the top of the 3rd quarter when compared to upper tier authorities including metropolitan boroughs.

Appendix 9 reproduces the relevant benchmarking information. There are two main drivers for extending the council's debt threshold;

1) To enable service-based capital expenditure to be financed from debt with the cost spread over the time-period that will benefit from the expenditure

2) To support the Big Plan objectives including the delivery of regeneration and housing business cases which will provide an ongoing resource base for the authority, as a minimum, once the borrowing is repaid

169. As at the 31 March 2022 the council's total debt position was £477m with commitments made via the capital programme to take the debt to the £855m. Subsequently, revisions to the financial strategy meant a number of sizeable schemes were removed from that commitment, particularly those associated with Bournemouth Development Company proposals. The currently revised forecast, including commitments made up to the end of December 2022, is projecting a debt position of £704m as at 1 April 2027.

170. In agreeing in November to extend the debt threshold, Council agreed with the council's Chief Financial Officer advice, and in supporting fiscal discipline, that no further borrowing is undertaken which is not supported by a self-financing business case. Therefore, no further commitments to debt will be undertaken which would require the general fund budget of the council to finance the revenue implications of taking on that additional debt.

Changing regulations associated with debt

171. DLUHC has made it clear that local authorities taking on excessive risk and any non-compliance with the framework will see increased interventions from government potentially leading to caps on borrowing. DLUHC also made it clear that they plan to better constrain the risks associated with complex capital transactions. This includes credit arrangements, such as PFI deals or income strips, and financial derivatives. These types of arrangement can carry more risk than traditional forms of financing and require the right expertise to support effective decisions and risk management.

172. As part of this tightening DLUHC on the 12 May 2022 announced as part of its Levelling Up and Regeneration Bill, the proposal to address excessive risk arising from local authority investment and borrowing, while supporting local freedoms for investment. They propose a set metrics for local authorities including the following:

- proportionality of debt compared to the financial resources at the disposal of the authority.
- proportion of capital assets which are investments taken out to generate net financial return or profit.
- Whether the authority is meeting its statutory duty to make sufficient provision for debt repayment.
- proportion of debt held where the counterparty is not local or central government including credit arrangements and loans.
- Any other metric specified by regulations made by the secretary of state.

173. The proposals set out above also coincide with a further update to Public Works Loan Board (PWLB) guidance to address lending to authorities where there is a more than negligible risk of non-repayment. HM Treasury will be reviewing authorities that raise

concerns and that could mean limiting the loan term length generally offered or restricting lending altogether.

174. The Levelling Up and Regeneration Bill published on the 11 May 2022 proposes to amend the LG Act 2002 to give the Secretary of State powers to issue a "risk mitigation direction". This could be issued if a council receives a section 114 notice, receives a capitalisation direction, or breaches one of the five capital risk thresholds set out above. Such directions could direct asset sales and limit council borrowing.

175. As a reminder, borrowing to fund solely for yield generating investments, from whatever funding sources, is not permissible under the Treasury Management and Prudential Code of Practice as they represent an unnecessary risk to public expenditure. Borrowing to support service-based proposals, regeneration and housing are permitted under the code. In these instances, authorities are advised to consider carefully whether they can demonstrate value for money and whether they can ensure the security of such funds.

176. Another key determinate of the Treasury Management Strategy is government fiscal policy with particular references to interest rates. The Bank of England base interest rate was 0.5% when the 2022/23 budget was set in February 2022. Since then, they have increased on seven occasions with the last move to 3.5% on the 15 December 2022. The aim of these increases is to bring inflation down to the 2% inflationary target the bank has been set by the government. Further increases are not being ruled out and the expectation is that it could take 2 to 3 years for inflation to come back in line with the target.

s151 Officer Advice on Robustness of the Budget and Adequacy of Reserves

177. In setting the budget the Director of Finance, as the Councils section 151 (s151) officer, is required under section 25 of the Local Government Act 2003 to report on the robustness of the budget and the adequacy of reserves supporting the budget. The requirement on the s151 officer is to ensure that the annual budget recommended to council is balanced (i.e., Forecast expenditure matches forecast income), is robust and therefore deliverable and has an adequate level of reserves. The s151 officer is required to ensure that the council's approved budget addresses these three issues.

178. Ultimately, Council will determine the level of reserves and balances formally in setting the annual budget. The advice of the Chief Finance Officer must, though, be formally recorded.

179. The formal s25 Report of the s151 Officer is included as Appendix 10 to this report. In line with recommended good practice this separate report has been prepared in consultation with the Chief Executive Officer (CEO). The conclusion of the formal s25 report is that Council's s151 Officer considers that the budget has been drafted based on an approach which is more traditional or conventional and that the council has responded positively to the cost-of-living crisis by way of its mitigation strategy. There is also sufficient evidence to support the estimates being used to prepare the budget for 2023/24 as robust provided the planned contributions to unearmarked reserves are made and the base revenue budget contingency is maintained at £2.2m. Particularly salient to this comment is the fact that the budget assumes the delivery of £35.1m in annualised savings and efficiencies which is almost equivalent to the total savings budgeted over the entire previous 3 year period and this £35.1m includes £6.5m in transformation savings which are unitemised and is not associated with an individual service area for delivery. Also included is a £2m saving from the council's employee

base by increasing the % not budgeted to 5% where appropriate to reflect the level of typical unfilled vacancies during the year.

180. It is clear that the future financial sustainability of the council continues to be vested in the success of its transformation investment programme which is at the core of the process to bring expenditure in line with ongoing expenditure.

181. Councillors should also be aware of the risks with the MTFP assumptions from 2024/25 onwards.

a) transformation savings assumed at the higher end of the range, which peers would always point out are prone to optimism.

b) an assumption of £26.1m in service specific transformation savings within Children's and Adult services. Evidence from 2022/23 shows that the investment in Children's services was part of its improvement journey rather than clearly identifiable with transformational savings and within Adult Social Care, other than a relatively small programme around investment in technology, no other meaningful transformation programmes have yet been established.

182. Councillors should also carefully consider the risks set out in the summary of risk and risk assessment sections of this report.

Housing Revenue Account (HRA)

183. A report on the HRA and rent setting is included as a separate item on the agenda for this meeting and should be considered alongside this report to councillors in setting the budget for 2023/24.

Chief Officers' Pay Policy Statement

184. Further to the provisions of the Localism Act 2011, the council is required to publish its local Chief Officers' Pay Policy on an annual basis for consideration by council before 31 March each year.

185. The council's pay policy has been duly prepared by the human resources and organisational development service and is attached as Appendix 12 to this report to ensure the council is able to consider it this year in accordance with the statutory timetable as prescribed by government.

186. For 2023/24 the policy has been updated to reflect changes associated with special severance payments, pay supplement policy, and the scheme of delegation.

Scheme of councillor allowances

187. The council is required to adopt an annual scheme of councillor allowances as specified under the Local Authorities (Members' Allowances) (England) Regulations 2003.

188. Council on 24 November 2020 agreed a scheme of members' allowances for 2020/21 which included the principle that there would be no increase in the basic allowance for 2021/22 (frozen at £12,844) and future increases (from 2022/23 onwards) would be linked to the local government national pay award. The budget as proposed assumes this increase will be 4.25%.

189. As part of the proposed budget, provision has been made for a total cost of £1.549m in 2023/24.

Consultation

190. Under Section 65 of the Local Government Finance Act 1992, councils have a statutory duty to consult with representatives of business rate payers on its proposed expenditure for the following year. Business leaders across Bournemouth, Christchurch and Poole were invited to attend a presentation held on 3 February 2023 on the budget for 2023/24 and Medium-Term Financial Plan from the BCP Council Leader, Chief Executive, and the Chief Financial Officer.

191. The necessary additional resources, savings and efficiencies required to balance the budget over the next four years will each need to be reviewed to determine the extent to which they may require consultation. Consideration will also need to be given to the relevant period, stakeholder groups and method of consultation.

Option Appraisal

192. Numerous alternative permutations are possible around budget and council tax strategies for 2023/24. Any alternatives considered will need to be supported by an appropriate level of due diligence and the advice of the statutory officers.

Summary of financial implications

193. As set out in detail throughout the report.

194. Councillors should consider how effective the 2023/24 proposed budget will be in supporting the financial sustainability of BCP Council.

Summary of legal implications

195. 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.

196. 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.

197. As a billing authority, failure to set a legal budget by 11 March 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, the 1 March to allow sufficient time for the council tax direct debit process to be adhered to.

Summary of human resources implications

198. 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.

199. 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.

Levelling Up Implications

200. The government's ambition to level up the United Kingdom is about levelling up opportunity and prosperity and overcoming deep-seated geographical inequalities. It is also about levelling up people's pride in the places they love and seeing that reflected in empowered local leaders and communities. On 14th December 2022, Cabinet noted the excellent work to positively take forward the Levelling Up agenda and agreed that work on it should continue, focusing on agreed priorities.

201. On the 13 April 2022 BCP Council received notification of a three-year allocation (2022/23 to 2024/25) of £4.196m from the UK Shared Prosperity Fund (UKSPF) and for £1.723m for the adult numeracy programme (Multiply). An overall total of £5.919m.

202. The funding is designed to support three local priorities: communities and place, support for local businesses, and people and skills.

203. Council with partners from business, education, and the community, and in consultation with approval from the relevant Portfolio Holders, developed and submitted to government an evidenced based investment plan. This set out how the funding will be targeted on local priorities and against measurable goals, deliverable over the period 2022 to 2025. The plan focused on 17 interventions from the 41 provided by government, which best help to deliver existing council strategies. The council's investment plan was approved by government in December 2022, and first year funds have been paid to the council. Members were briefed on the plan in January 2023 and were asked for their support in promoting the fund in their wards. Work is now underway to set up the appropriate governance and to create the projects that will deliver the outputs and outcomes in the plan. More details can be found in the separate report on this Cabinet agenda.

204. On the 19 January 2023, the council was informed that its round two application to the Levelling Up Fund for "BCP Coastal Communities Infrastructure" had been successful and £18.160m awarded. The council was unfortunately unsuccessful in securing funding for "Hamworthy Waterfront" and "The Lighthouse Quarter, Poole". Due to the delay from Government in announcing awards, the original expenditure timeline over the next two financial years until 31 March 2025 may be extended. Funds will be focused on repairs to Bournemouth pier, stabilisation of the East Cliff and the creation of a new lifeguard training and education centre.

Summary of sustainability impact

205. Consideration has been given as part of this budget for 2023/24 of ways in which BCP Council could contribute to environmental improvements / targets and by example encourage this approach in those with whom it deals. The intention therefore is to continue to protect the £480,000 annual budget supporting climate change and ecological emergency activity.

206. The accommodation and business transformation programmes underlying the MTFP will make the council more environmentally friendly through a reduced estate and different ways of working, including the continued ability for staff to work effectively from home. This will reduce energy consumption and pollution levels as well as produce savings to protect services.

207. In addition to the environmental and social impacts of climate change, there is a risk to BCP Council of significant financial consequences if it fails to meet its declared climate targets. Council has pledged to become carbon neutral by 2030 as an organisation and lead the area to become net zero carbon ahead of the 2050 national

target. Based on forecasts from the London School of Economics the council would have to incur costs of over £3m per annum to purchase the necessary offsetting carbon credits to meet the carbon neutral pledge in 2030. Clearly this cost will act as an incentive to the council to prioritise the activity and investment necessary to meet this priority.

Summary of public health implications

208. The budget as proposed aims to assist the council and its community address the legacy consequences of the global Covid-19 public health emergency.

209. Council continues to seek to maintain appropriate services for vulnerable residents as well as improve the sustainability of services important for the wellbeing of all residents.

Summary of equality implications

210. BCP 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. In this budget the council has sought to maintain appropriate services for the most vulnerable as well as improve the sustainability of services important for the wellbeing of all residents.

211. The impacts of the council budget for 2023/24 have been assessed considering the nine protected characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and the locally observed characteristics (low socio-economic status, armed forces veterans, carers, children in care and care experienced young people, local businesses and organisations). The Equality and Human Rights Commission's six domains of equality measurement framework have also been considered, identified as the areas of life that are important to people and that enable them to flourish. These are: Education, Work, Living standards, Health, Justice and personal security, and Participation.

212. Positive and cumulative impacts on the protected characteristics of age and disability groups have been identified throughout this Equality Impact Assessment (EIA) as investments are being made in key areas to improve services for our most vulnerable residents including older people, those who are disabled and children.

213. As part of the budget, council tax is being raised to support increased service provision, which will have a positive impact on many residents. Mitigating actions have been identified to support those who would be most negatively affected.

214. Individual equality impact assessments should support some of the decisions noted in this EIA, for example with service-based savings and efficiencies and this has been noted under mitigating actions where relevant.

215. The full EINA is included as Appendix 11 to this report.

Summary of risk assessment

216. A key element of the reorganisation of local government in Dorset was the opportunity to best protect public services as central government reduced the core funding it provides to local authorities and both the demand for, and cost of, local services continued to rise.

217. This report and the outlined actions will form part of the mitigation strategy associated with the risks to the delivery of the council's objectives due to the level of available resources.

218. Throughout this report reference has been made to several key risks the council is currently exposed. Members are reminded of the following key risks.

- **Uncertainty.** High levels of financial planning uncertainty at this time caused principally by the cost-of-living crisis. Associated with this is the level of general sensitivity around changes to the level of demand for services.
- **2022/23 Forecast Outturn**. Ensuring delivery of a £10.1m surplus in 2022/23 to confirm it is available for drawn down in support of the 2023/24 budget.
- **Accumulating Deficit on the Dedicated Schools Grant (DSG).** Technically as at the 31 March 2024 the council is projected to be insolvent as the accumulated deficit on the DSG is predicted to be greater than the council's general fund reserves. The council is only able to avoid a s114 notice due to a statutory override that will allow the deficit to be ignored up to the 31 March 2026. It should be noted that the council does though have to cover as part of its general fund budget the financial implications of financing the cashflow associated with this deficit, less interest, greater borrowing, or a combination of the two. As it stands and without government support the council is predicted to be insolvent on the 1 April 2026.
- **Delivery of £32.9m of List One and £2.6m of List Two savings.** There is a significant inherent risk associated with delivering £35.5m in savings. Corporate directors and service directors have expressed confidence in being able to deliver each of the savings' proposals, but there is a collective risk in managing and delivering this volume of savings in a short space of time.
- **External Intervention - External Auditor (EA).** The EA has qualified their latest Value for Money judgement on the council due to significant weaknesses in its arrangements for financial sustainability. They will be reviewing progress carefully and will not hesitate to act if they deem it necessary to do so. This risk will increase if the budget includes and assumptions which are not robust or evidenced based or which deviate from traditional local government practices.
- **External Intervention – Department for Education (DfE).** The council's Children's Services received an Inadequate Ofsted judgement in February 2022. Subsequently DfE appointed an Improvement Adviser as a form of intervention and are clear that if progress is not effective in the short term the question of a structural intervention, such as a children's trust, may be brought forward. This would be deemed an expensive and unsatisfactory outcome for the council.
- **Use of One-Off resources to balance the 2023/24 Budget.** The application of reserves and one-off resources to balance the budget of the council reduces its future financial flexibility and resilience. The 2023/24 budget proposes to .
  - Utilise the £10.1m forecast financial outturn for the current 2022/23 financial year which will be carried forward via an earmarked reserve.
  - Utilise £5.3m in reprovisioned earmarked reserves to support the 2023/24 budget.
  - Utilise the £14.2m cost of living mitigation resources set aside based on the 2021/22 financial outturn to support the 2023/24 budget. These will be carried forward via an earmarked reserve.

- **Increase in debt threshold to £1.334 billion.** Council in November 2022 agreed to increase the Council's debt threshold from £855m to £1.334bn mainly in support of its "big plan" objectives including the delivery of regeneration and housing schemes. It should be recognised that the repayment of debt takes precedence over even the delivery of statutory services. All debt, even if supported by the most robust of business cases, involves a level of risk around the variables and assumptions, and therefore places a level of potential exposure on local resources.
- **Capitalisation Direction.** If government does not agree to a final £20m capitalisation direction for 2022/23 and if the additional asset sales are not delivered in 2022/23 then the council would have no other option than to fund the current 2022/23 estimated cost of its transformation programme from its own scarce resources. All things being equal this would impede the ability to set a legal, balanced budget for 2023/24 budget without further significant additional service reductions.
- **BCP FuturePlaces Ltd.** 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 council has potential exposure based on two fronts.

  1. *any amounts drawn down from the loan which ultimately prove to be unrecoverable.*
  2. *any payments to BCP FuturePlaces for Outline Business Cases which the council charges against capital and which then must be written off as it decides not to progress with the Full Business Case.*

- **Social Care Reforms**. There is a significant risk that the government grant funding to cover the cost of these reforms will be insufficient to cover their cost. The Autumn's Statement announcement of their delay from October 2023 to October 2025 will provide more time to consider more thoroughly any funding gap and implementation issues.

219. Additionally, the council has operational risks not previously referenced including.

Companies. BCP operates several companies and third-party arrangements with these organisations exposed to their own set of financial and operational risks. As such the council would only provide for its share of such risks in circumstances were the risk is likely to materialise.

Background papers

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

June 2022 MTFP Update report to Cabinet.

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

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

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

Finance Strategy Update report to 28 September 2022 Cabinet.

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

Finance Strategy Update report to 26 October 2022 Cabinet.

https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5015&Ver=4

Finance Strategy Update report to 23 November 2022 Cabinet

https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5016&Ver=4

2022/23 Budget Monitoring and Financial Strategy Update report to Cabinet 14 December

https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5017&Ver=4

All these reports were subject to the scrutiny arrangements. Generally, this was in the form of specific Corporate and Community Overview and Scrutiny Committees. In addition, all councillors were invited to the Budget Café's which were run on the 7 December 2022 and the 18 January 2023.

Appendices

Appendix 1	Letter from DLUHC Lee Rowley to Council Leader – 25 January 2023
Appendix 2	Outstanding Policy Documents
Appendix 3	Analysis of Budget Engagement exercise
Appendix 4	Schedule of Council Tax by area (to follow after all precepts have been set)
Appendix 5	2022/23 December 2022 Quarter 3 Budget Monitoring information
Appendix 5a	2022/23 Variance Analysis
Appendix 5b	2022/23 General Fund Summary
Appendix 5c	2022/23 HRA Revenue - budget monitoring
Appendix 5d	2022/23 HRA Capital - budget monitoring
Appendix 6	Budget Summary and Absolute MTFP
Appendix 6a	Schedule of savings and efficiencies – List One and List Two
Appendix 7	Capital Investment Programme detail
Appendix 7a	CIP individual project listing
Appendix 7b	CIP narrative by directorate
Appendix 7c	CIP IT and IS capital infrastructure investment plan
Appendix 8	Asset Management Plan
Appendix 9	Treasury Management Strategy (including prudential indicators)
Appendix 9a	Treasury Management Policy and Practices
Appendix 9b	Summary of Proposed CFR Debt
Appendix 10	s25 Report Chief Finance Officer
Appendix 10a	Reserves schedule
Appendix 11	Equalities Impact Needs Assessment (EINA)
Appendix 12	Chief Officers' Pay Policy Statement