
Graham Farrant, Chief Executive
Adam Richens, Chief Finance Officer and Director of Finance
BCP Council

10 February 2023

Dear Graham and Adam

BCP Council 2023/24 budget setting – Full Council 21 February 2023

I am writing to you following our recent discussions regarding the Council's budget considerations for 2023/24. In this letter I set out my concerns around the position currently being articulated by the Leader of the Council, including the risk this places on the Council's financial sustainability.

Background

As the appointed auditor for BCP Grant Thornton's responsibilities include to:

- give an opinion on the financial statements and
- assess the arrangements for Value for Money (VFM) - securing economy, efficiency and effectiveness in the Council's use of resources.

We also have additional powers and duties under the Local Audit and Accountability Act 2014 ('The Act'). These include powers to issue a public interest report, make statutory recommendations and to apply to the Court for a declaration that an item of account is contrary to law. This letter is an informal communication ahead of a more formal consideration of the use of these powers and is dependent, in the first instance, on the budget decision to be taken at Full Council on 21 February 2023 but also upon subsequent strategies for budget setting and financial stewardship.

2020/21 VFM findings

In September 2022 we issued our Auditor's Annual Report for 2020/21 setting out our assessment of the BCP's arrangements to deliver VFM. This report concluded that in our view, *'the Council's current arrangements for ensuring financial sustainability are not good enough'*. The report went on to say that as of September 2022 *'The Council's current financial plans are predicated on a high risk alternative funding strategy to deliver transformational efficiencies and avoid significant cuts to services. There is currently an absence of alternative strategies to balance the books into the medium term should this high risk strategy not be deliverable.'*

On this basis we concluded that the Council did not have adequate arrangements in place for ensuring financial sustainability into the medium term.

In my presentation of this report to the Audit & Governance Committee in October 2022 I indicated that I would monitor closely the approach to the forthcoming 2023/24 budget round. I also said that we would consider the use of our wider statutory powers if the Council continued to pursue a high risk approach to budget setting, including the use of non-traditional income generating schemes that were not fully

supported by appropriate due diligence and therefore would present an increased risk to budget delivery.

2023/24 budget setting to date

Our review of the 2023/24 budget setting proposals up until December 2022, supplemented with regular catch ups with the Section 151 Officer indicated a return to a more traditional budget setting approach. Specifically, a more prudent and therefore less risky approach to budget setting and medium-term financial planning, predicated on the use of the maximum increase in Council Tax permitted by Government (4.99%), combined with a detailed savings plan. We recognised that even this indicative budget included significant inherent risks, not least the £35m of savings for the year in question - the equivalent to what has been delivered in the previous three years, but took some comfort that the proposal was grounded in traditional approach where the ability to deliver was in the hands of the Council.

A potential alternative 2023/24 budget

On 13 Jan 2023 myself and Jon Roberts (Partner, and Grant Thornton's Public Sector Audit Quality lead) met with you both at which point we discussed that the Administration was considering a late amendment to the indicative 2023/24 budget proposals that officers have been working up ahead of Full Council on 21 February 2023. You both indicated that you had verbally communicated concerns over this late change directly to the Administration.

The Council formally published its proposed budget on 1 February 2023 with no alternative proposal included. Our subsequent review of the media coverage and press releases (Appendix 1) has, however, raised continued concerns over the possibility that even at this late stage in the budget setting process, an alternative proposal from the Leader might be forthcoming. The press release dated 27 January 2023 included the following quote from the Leader *"I will therefore be spending the time between now and our Full Cabinet meeting continuing our long standing workstream to find credible ways, which meet all the respective government guidelines, to raise more income, use our assets and work differently to realise our aspiration of keeping council tax in people's pockets. Being successful in this endeavour would have the added impact of being able to continue to significantly increase our reserves, avoid some of the savings we've identified and invest in new priorities."*

We are concerned on a number of levels about the possibility of any late amendments to the current indicative budget.

Firstly, from a governance perspective, any last minute changes provide limited opportunities for officers to fully digest the impact of the changes and advise decision makers as to whether the change is in the best interest of the Council.

Secondly, should any amendment be an 'innovative but higher risk' proposal along the lines of others that have been attempted previously, then it is crucial, not least given the previous experiences, that proper due diligence is given to the risks and rewards and legality of such a decision. We are highly concerned that any last minute amendment is introduced without appropriate advice and extra checks and balances to ensure it is in the best long term interest of the Council.

In our view, any amendment to the current budget proposals currently under consideration will inevitably mean that members are required to consider them at short notice, with limited preparation and with limited assessment of the potential risks of such a course of action. This in turn gives rise to a concern that the Council may be putting at risk its future financial sustainability by entering into high risk projects without the proper and full consideration that good governance requires.

In terms of any change to proposed Council Tax increases, although it is not for Grant Thornton as your appointed auditors to advise the Council on Council Tax (CT) levels, I note that one possible amendment to the 2023/24 budget included reducing the proposed CT increase from 4.99% to 2.99%. However, given the financial predicament the Council faces such a move would not only make delivery of the 2023/24 budget more challenging but would have an even bigger impact on the Council's Medium Term Financial Strategy due to the compounding effect it would have on future years' CT base.

If any changes to the current budget proposals are made, I would expect the senior statutory officers to reflect on how this may impact on their statutory responsibilities.

Wider statutory powers

Given the very significant matters set out in this letter, I would now ask that this letter is shared with leading members and would welcome further assurances from yourselves that this letter, and the letter received previously from the Lee Rowley MP on behalf of the Department for Levelling Up, Housing and Communities, is given proper consideration by the Council.

I also ask that this letter is tabled at the Audit & Governance Committee on 16 February 2023 given the serious governance matters this letter raises.

Following receipt of further communication from the Council, we will then give consideration to the applicability of our additional powers and duties, set out above. We will also continue to keep under close review the Council's financial sustainability, given the conclusions we previously reported in our most recent Auditor's Annual Report.

Yours sincerely



Peter Barber, Key Audit Partner

For Grant Thornton UK LLP

Appendix 1

BCP council announcement and press coverage on proposed 2023-24 budget (from 27 Jan)

- 27 Jan - BCP council press release: [Financial sustainability to face future challenges at heart of proposed BCP Council budget for 2023/24](#)
- 28 Jan – Bournemouth Echo: [BCP Council budget plan includes full council tax increase](#)
- 30 Jan – Dorset Live: [BCP Council tax to rise by maximum amount as new budget looms](#)
- 31 Jan – BBC: [BCP Council is warned over 'reckless' budget plans](#)
- 31 Jan – Public Finance: [Council urged to be cautious over further 'commercial opportunities'](#)
- 1 Feb – Dorset Live: [BCP Council leader warned against 'risky' budget plans](#)
- 7 Feb - Planet Radio: [Community cuts proposed to balance BCP budget](#)
- 8 February – Bournemouth Echo: [BCP Council leader accused of delaying cuts until after May elections](#)