



BCP Medium Term Financial Plan

Key Financial Planning Assumptions

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

1. Wellbeing

Service Pressures £12.4m (9.4% increase over the 2023/24 budget for demand and inflationary increases but excluding pay related costs)

Adult Social Care and Commissioning

The MTFP makes provision for an additional gross £30.2m investment in adult social care services over the 4-year period to March 2028 (£10.2m in 24/25). 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 changes in the National Living Wage (NLW).
- 2) The additional funding allocation for the Market Sustainability and Improvement fund will be used to assist moving towards achieving the 'Fair Cost of Care'. The Discharge Fund will be used to meet the increased care costs and speed up hospital discharges.
- 3) All demographic growth is assumed to be demand managed for all client groups in 2024/25.

The NLW remains a key driver for the cost of care services affecting 70% of the cost of providing personal care. The increase from April 2024 has not been confirmed yet, however, there are indications that the increase will be to at least £11 per hour from £10.42 (5.6%). The MTFP assumes an increase to the minimum estimate, a higher level will result in additional budget pressure of approximately £122,000 for every 1p.

The remaining 30% of the cost of providing personal care is driven by other cost of living factors assumed to increase by 2.7% in 2024/25.

From 2025 onwards, the assumption is for 2% annual increases for both NLW and general inflation for costs in the care market.

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. 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. The council will commit spending on this activity up to any amount funded by the government.

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 2026/27 and further £10.2m in 2027/28 will be fully covered from additional government funding.

The delay includes 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.

Housing

The main pressure included relates to homelessness emergency accommodation with an additional £1.5m budget increase estimated for 2024/25. In previous years, the annual homelessness prevention grant has been supplemented by reserves designated for the service. These reserves are forecast to be fully used in 2023/24 with the estimated shortfall in the annual £2m grant now included as a pressure.

2. Children's Services

Service Pressures £6.1m (7% increase over 2023/24 budget for demand and inflationary increases but excluding pay related costs budget)

The MTFP makes provision for an additional gross £23.7m investment in children's services over the 4-year period to March 2028 (before additional specific grants). 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 continued increasing complexity of children needing placements. The national picture of the care market evidences significant sufficiency issues and this, in addition to the ongoing cost-of-living growth, has prompted providers to increase their fees.
- b. A new government requirement for providers of supported accommodation for looked after children and care leavers aged 16 and 17 to be Ofsted registered and inspected will mean additional cost incurred by the providers will be passed on through placement fees.
- c. Local social care market purchasing has been reliant on framework contracts which previously worked well in managing placement costs, however in the past 2 years this has significantly deteriorated. This change has impacted on price and will be addressed through a revised strategy across all placement types with a range of market options.

2) 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). This grant is ring-fenced and currently outside the general fund budget.
- b. SEND transport is however not funded by the DSG and instead the responsibility falls to the general fund budget of the council.

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

3. Operations – Service Pressures £2.8m (4% increase over the 2023/24 budget for demand and inflationary increases but excluding the pay award)

The MTFP makes provision for an additional gross £10.4m investment in operations services over the 4-year period to March 2028 (£2.8m in 2024/25).

Inflationary pressures have been reflected for waste disposal and recycling services linked to contracts and market movements with £1.7m allowed for in 2024/25 and a total increase of £3m by 2027/28 compared with the current year.

Fuel inflation has been allowed for along with increased prudential borrowing repayments to ensure that the rolling capital programme for fleet vehicles is maintained.

Reduced income of £0.5m for the bereavement service has been allowed for reflecting the ongoing challenging market conditions from the growth in the direct cremation market and other local facilities.

Inflation has been provided for the concessionary fares schemes going forward, following the rebase in the 2023/34 budget to reflect the trend of reducing journeys.

A previously budgeted pressure for utility costs across the directorate has been reduced by £1.8m for next year as the market has stabilised below previously assumed levels.

Pressures have been included for commercial operations across a range of contracts including equipment hire, cleaning products, and consumables with these pressures to be recovered through additional income.

4. 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 National Employers organisation took a different approach in agreeing the pay award for 2022/23 based on a flat rate increase of £1.925 on every spinal column point which was estimated at an average increase of 5.4% for BCP Council.

The budget for 2023/24 made provision for a 4.25% average pay award. Following the 2022/23 approach the National Employers organisation made an offer on behalf of member councils of £1,925 on every grade up to SCP43 and 3.88% above this level. The unions confirmed on the 1 November 2023 that this offer had been accepted. It equates to more like a 6.25% average pay award and an additional in-year service pressure of £3.4m

The draft budget for 2024/25 makes good this under provision in 2023/24 and is followed by an assumption of a 5% pay award next year This is based on a benchmarking exercise undertaken by the Chief Financial Officer with near neighbour Unitary Authorities to ensure consistency with the assumptions being made by the sector.

In addition, as part of the savings and efficiencies proposals underpinning the 2023/24 budget, provision was made for only 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%. Monitoring of this assumption is being undertaken as part of the in-year quarterly budget monitoring. In addition, services are also expected to manage the impact of any incremental drift in their pay base.

5. 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 2024/25 budget reflects, for financial planning purposes, a proposed implementation from 1 December 2024, with a proposed uplift in the pay bill from that point in time onwards. The council will however endeavour to deliver at the earliest date achievable

6. Pension Fund

BCP Council is a member of the Dorset Local Government Pension Scheme administered by Dorset Council. The funds actuary Barnett Waddingham is required to revalue the fund every three years (tri-annual revaluation) to determine both the value of its assets and liabilities and the contributions rates for each employer in the fund.

The fund was last revalued as of April 2022 and the impact was agreed with the pension fund actuary in 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%.

BCP Pension Fund – funding levels

Figure 1: BCP Pension Fund – funding levels

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

BCP Council contribution rates are as set out 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 2: BCP Pension Fund contributions agreed with the actuary:

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ongoing (primary) rate	15.6%	16.2%	16.8%	17.4%	19.0%	19.0%
Back-funding (secondary) rate	£9.43m	£5.89m	£6.10m	£6.32m	£3.97m	£4.13m

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.

7. Inflationary Costs

Inflation is only provided for in service directorate budgets where it can be demonstrated that it will be needed due to either market or contract conditions. Inflation as of September 2023, which is applied or factored into several contractual uplifts, was 6.7% as measured by the (CPI) Consumer Price Index.

The Spring Budget for 2023 predicted CPI inflation of 4.1% during 2023/24, 0.6% during 2024/25, 0% in 2025/26, and 0.8% in 2026/27. The government's inflation target remains at 2% on an annual basis.

One area of cost pressure which has specifically previously been provided for 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 2023/24 budget allowed for circa £8.9m in electricity and gas costs across all areas of service. The forecast outturn for 2023/24 assumes this will fall to £6.2m.

8. Government Autumn Statement

The Chancellor of the Exchequer, Jeremy Hunt, will present the Autumn Statement to Parliament on the 22 November 2023.