

Report subject	Budget 2024/25 and Medium-Term Financial Plan
Meeting date	7 February 2024
Status	Public Report
Executive summary	<p>To set out for Cabinet's consideration and recommendation to Council the proposed 2024/25 budget and council tax based on;</p> <ul style="list-style-type: none"> Increasing council tax by 2.99% in 2024/25 in line with the government's annual basic threshold. Collecting the full additional 2% Adult Social Care (ASC) precept in 2024/25. Implementation of the approved financial strategy. £41m of further savings, efficiencies, and additional income generation required to correct the structural £30m deficit inherited from 2023/24 and other pressures, to set a legally balanced budget, and provide the basis of a more financially sustainable council moving forward. <p>Recognise that the council is projecting to spend £29m more on Special Educational Needs and Disability services in 2024/25 than the funding specifically being made available by government. The consequential deficit this creates in the Dedicated Schools Grant (DSG) will mean the council is <u>technically</u> insolvent on 31 March 2024 (as the deficit on the DSG will be greater than the total reserves held by the council with a negative overall general fund position). Statutory guidance which means the deficit can be ignored by all councils until the 31 March 2026 provides interim protection for the Council.</p>
Recommendations	<p>It is RECOMMENDED that Cabinet recommends that Council:</p> <ul style="list-style-type: none"> a) Undertakes a recorded vote in relation to the following items as required by the Local Authorities (Standing Orders) (England) (Amendments) Regulations 2014. <ul style="list-style-type: none"> i) Agrees that a net budget of £356.9m, resulting in a total council tax requirement of £258.6m, is set for 2024/25 based on the draft local government financial settlement figures published by government in December 2023. ii) Agrees an increase in council tax of 2.99% for 2024/25 in respect of the basic annual threshold and the collection of the additional social care precept of 2%. iii) Confirms the key assumptions and provisions made in the budget as proposed and as set out in Appendix 3. iv) Agrees the allocations to service areas in the budget as set out in Appendix 5. v) Agrees the implementation of £41m of savings as set out in Appendix 5a.

	<p>vi) Approves the flexible use of capital receipts efficiency strategy as set out in Appendix 6.</p> <p>vii) Approves the asset management plan as set out in Appendix 8.</p> <p>viii) Agrees the treasury management strategy (TMS) and prudential indicators as set out in paragraphs 74 to 79 and Appendix 9.</p> <p>ix) 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 95 to 101 and Appendix 10.</p> <p>b) Approves the implementation of a freeze on all non-essential expenditure from 1 April 2024 and until such time as the Corporate Management Board have provided Cabinet Members with assurance that all the £41m of 2024/25 budget savings have been delivered.</p> <p>c) Delegate to the Chief Executive, in consultation with the Director of Finance, Leader, and Portfolio Holder for Finance, the allocation of any additional resources that become available through the final 2024/25 local government finance settlement or any other means.</p> <p>d) Requests that the Corporate Director for Children's Services produces for the April Cabinet a detailed delivery plan to limit the high needs expenditure projections to those included within the DSG management plan presented to the Department for Education and Schools Forum in January 2024.</p> <p>e) Approves the chief officers' pay policy statement 2024/2025 for consideration and approval by the council in accordance with the provisions of the Localism Act 2011 as set out in paragraphs 103 to 105 and Appendix 12.</p> <p>f) Requests that the Director of Finance provides Council with a schedule setting out the rate of council tax for each category of dwelling further to councillors' 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 20 February 2024.</p>
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. Mike Cox, Portfolio Holder for Finance
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Wards	Council-wide
Classification	For Recommendation

Overview of the proposed 2024/25 budget

1. It is important that the context to the development of this proposed, legally balanced, and sustainable budget for 2024/25 is fully appreciated. When BCP Council was created in April 2019 it had £85m in revenue reserves carried forward from the preceding councils, which are currently forecast to have been reduced to £41m on 31 March 2024 following previous budget decisions.
2. Significant savings have been achieved in the direct operating costs of the council, through efficiencies of scale generated by local government reorganisation (LGR) and through the transformation programme. To date, those efficiencies identified have reduced the annual run-rate cost of the council by approximately £82m and demonstrate the financial benefits of LGR. However, the increased costs of providing services caused by inflation, and hugely increasing demand for public services over recent years, have required further savings to be identified each year.
3. The 2023/24 approved budget was specifically based on traditional and conventional approaches to local government finance, which is a direct reference to the fact that it was not based on any innovative financial models that tested the boundaries of Treasury orthodoxy. This is in contrast to the 2022/23 budget which assumed the council would sell its beach huts to a wholly owned company, a proposal that led the Department for Levelling Up Housing and Communities (DLUHC) to change the FUCR rules which prevented the council using the capital receipt that would have been generated as it had intended.
4. Although the finally approved budget for 2023/24 was more conventional in its approach it included a considerable level of inherent risk. It was balanced based on the assumption of a £30m drawdown in reserves and the delivery of £34m in savings, efficiencies, and additional resources including £9m in respect of transformation which was un-itemised and was not supported by a specific, detailed delivery plan. The strategy was also based on having unearmarked reserves around the recommended minimum. In respect of the ongoing outlook a £44m funding gap for 2024/25 was identified if you set aside the previously assumed savings on the basis that they were either unidentified or had not been set out for public consideration. The assumption was also made;
 - a) that either government funding would be forthcoming to support the deficit on the Dedicated Schools Grant or the current statutory override would be continued which allows the deficit to be ignored
 - b) that the council would dispose of assets to the value of up to £43m to fund the Transformation Investment Programme across the 2-year period to 31 March 2025.
5. The approach being taken as part of the 2024/25 budget and medium-term financial plan is one focused on value for money, the council's financial health and ongoing sustainability, and one which continues the approach of adopting a traditional and conventional approach to local government finances. This budget therefore has had to recognise that the council was living beyond its means with a £30m annual structural deficit, it has had to identify additional resources to deliver any of the current year's £34m assumed savings that it cannot reasonably be assumed will be delivered moving forward, and it has had to recognise the acute pressures caused by previous years of austerity, recent high inflation and the exceptional demand pressures faced by all local authorities, and other public services, at this time.
6. An example of the cost pressures faced by the council is the additional cost of commissioned care. In Adult Social Care, alone, the council will need to set aside an extra £12.4m in 2024/25 to cover the implications of the recently announced 9.8% increase in the National Living Wage. This equates to the extra resources that could be generated by a 5.08% council tax increase when the maximum permitted increase is only 5%. This leaves no additional resources available for demand pressures in Children's, Adults or Homelessness services, the annual pay award across all services areas, or the impact of cost-of-living inflationary pressures on any of the other services provided by the council.
7. The financial challenges faced by the council are not dissimilar from those faced by numerous local authorities at this time, however, previous actions such as not increasing Council Tax in line with government expectations, or the significant drawdown of reserves has meant the

council does not possess the financial resilience it could have had. In proposing this budget, the key salient points include;

- a) In line with the government thresholds, to increase council tax by 2.99% for the basic element and 2% for the social care precept
- b) Provide £7.5m in extra resources to cover demand and inflationary pressures, including any pay changes, in the council's highest priority area, Children's Services
- c) Provide £15.2m in extra resources to cover demand and inflationary pressures, including any pay changes, to the most vulnerable members of our community via investment in Wellbeing Services be that adult social care or housing services
- d) Assumes the delivery of £52m in savings, efficiencies, and additional resources across the four years of the medium-term financial plan of which £18m have been categorised as relating to Transformation. Each saving is supported by a detailed delivery plan with some supported by the application of one-off resources to phase in their implementation.

Corporate Strategy

8. Considering the development of the 2024/25 budget for BCP Council will be within the context of the Council having been formed in 2019 as the most complex piece of Local Government Reorganisation in a generation. It will also be in the context of a unitary authority which is currently only in its fifth year of operation, with annual gross turnover of around £735m, and an annual net revenue budget which for 2023/24 was £309m. Consideration should also be given to the legacy impact on the organisation's financial and non-financial resources of the global Covid-19 public health emergency, the ongoing cost of living crisis, and a financial environment which saw the council enter the governments Exceptional Financial Support programme in 2022.
9. In setting the budget for 2024/25, it is also critical that consideration is given to the vision and ambitions of the council, ensuring that the organisation commits its limited resources in accordance with its stated priorities.
10. In support of this, a new BCP Corporate Strategy was developed following a change in administration after local elections in May 2023. This was adopted by the Council in January 2024. The new Corporate Strategy replaces the Big Plan and previous Corporate Strategy and provides a simplified strategic framework, establishing a single set of key priorities and ambitions for the Bournemouth, Christchurch, and Poole (BCP) area.
11. The Corporate Strategy creates a vital component for policy development, service planning and performance management, enhancing good governance and transparency in decision-making.
12. As set out in the Corporate Strategy, the new vision for the area is **"where people, nature, coast and towns come together in sustainable, safe and healthy communities"** with two key priorities and a set of ambitions for each:
 - a) Our People and Communities – everyone leads a fulfilled life, maximising opportunity for all.
 - b) Our Place and Environment – vibrant places where people and nature flourish, with a thriving economy in a healthy, natural environment.
13. These priorities are underpinned by our approach as a council, to be "an open, transparent and accountable council, putting our people at the heart of our services" with a set of guiding principles by which the council will work. This is shown in figure 1 below with an A4 version attached at Appendix 1a.

Figure 1: BCP Corporate Strategy



14. The Corporate Strategy will be supported by delivery plans which will set out high level actions and SMART objectives to work towards the ambitions. Key performance indicators, published in a Delivery Plan, will help the council to monitor progress and identify trends.
15. Over the current financial year, despite a continuing challenging financial environment, the council has made an impact on residents and businesses in pursuit of key priorities. For example:
 - 99.8% of all children in care have an identified plan for permanence by their 2nd review.
 - Additional funding has been secured for the Holiday Activities and Food Fund, enabling families to provide hot meals for their children when schools are closed.
 - 272 businesses have registered for the council's UK Shared Prosperity Fund business support scheme, and 81 grants have been issued totalling £239,605 which has been matched by private sector funding of £442,347. This is expected to deliver and safeguard 331 jobs.
 - Since the launch of the Community Engagement and Consultation Strategy, the council has taken part in over 32 initiatives and projects with external partners. This has included providing advice and guidance, training, delivering events and activities, building relationships with community representatives and groups, identifying new partnerships and communities to work with.
 - Funding from the Big Lottery has been secured for the next 5 years for a cross-sector partnership project to support ethnically diverse community groups and representatives to develop and become more sustainable.
 - The Partnership Co-ordination Group continues to monitor anti-social behaviour hotspot areas and focus interventions with partners accordingly. There has been a 17.1% reduction in the number of anti-social behaviour reports to the police.

Financial Strategy

16. A financial strategy designed to support the setting of a legal and robust budget for 2024/25 focused on conventional local government financial management processes and revenue sources was approved by Cabinet in July 2023. Developed by Cabinet working with Senior Officers, the strategy was focused on the following summarised workstreams
- a) Review of inherited Medium Term Financial Plan
Test and challenge the inherited position to verify robustness of cost pressures and only include identified savings supported by a delivery plan.
 - b) Capital receipts from asset disposals
Develop the ongoing programme of asset Identification that can be sold to generate capital receipts which can then be used to fund the transformation investment programme.
 - c) Accommodation strategy
Further consolidation of staff in the Bournemouth Civic Centre to allow for disposal or alternative use of assets.
 - d) Review of the collection funds
Fundamental review of collection rates as the position starts to stabilise in a post pandemic environment.
 - e) Review of the balance sheet
Fundamental review of all balance sheet items including reserves and provisions.
 - f) Harmonisation of services
Eliminate areas of difference in service standards across the conurbation following the 2019 Local Government Reorganisation.
 - g) Enabling council
Consider the extent to which the community would be better placed to manage council assets and current, non-statutory services through volunteers and other sources of funding
 - h) Explore alternative structures for the delivery of services
Extent to which assets and services can be transferred to town or parish councils. Potentially linked to a community governance review.
 - i) Full cost recovery
Fees and charges set at a level to guarantee that all costs, both revenue and capital, direct and indirect, are fully recovered wherever possible and to push for increased fees where external limits prevent this.
 - j) Transformation
Test the evidence base to support the deliverability of any assumed transformation savings as well as the recharge of base revenue budget staff costs into the programme.
 - k) Invest to save
Consider robust self-financing business cases that use the council's ability to borrow to invest in capital infrastructure which in turn drive down operational costs or avoid demand.
 - l) Integrated Care System
Determine how the council and the National Health Service partners can more effectively work together with a view to driving down the overall cost of services.
 - m) Service Rationalisation
Consideration of services that the local authority is not required to provide and any expenditure on services that it currently provides above the statutory minimum.
 - n) Housing Revenue Account (HRA)

Fundamental review of all recharges between the HRA and General Fund to ensure in line with latest good practice.

o) Debt Threshold (Capital Financing Requirement)

To avoid the risks associated with high levels of debt, and enhance governance were the council wishes to take on debt, to reduce the council's debt threshold from £1.334bn to £755m. In addition, a review of the legislative requirements was undertaken in respect of the amount the council is required to set aside annually for the repayment of debt.

p) BCP FuturePlaces Ltd

In the first instance, via July Cabinet, this involved reducing the working capital loan facility from £8m to £6m. This was later extended via Cabinet in September to the orderly closure of BCP FuturePlaces Ltd which has now been almost completed, with a refocus on key projects being managed in-house.

q) Dedicated Schools Grant (DSG)

Explore with the Department for Education (DfE) a solution to the significant accumulating deficit on the Dedicated Schools Grant. Subsequently the council was invited to have a conversation with DfE around the potential for Safety Valve agreement, having participated in the Delivering Better Value programme, although no conclusion has yet been reached.

r) Participatory Budgets

Consideration of the ability to establish small scale community grant allocations where the community decides how the money is spent and is involved in the scrutiny and monitoring following the original allocation.

s) Government Reforms

Continue to monitor various government proposals which will have a direct impact on either the cost base or income sources available to the council.

17. In addition, and in support of the financial strategy, Cabinet agreed to an in-year expenditure freeze and vacancy management process for the remainder of 2023/24 (September) and the implementation of a voluntary redundancy process (November).
18. In essence, the financial strategy has been designed to improve the overall financial resilience of the council, to provide more overall financial stability, and to ensure that the Council can set a balanced budget and manage a balanced medium term financial strategy, and to avoid what is referred to as a s114 report being issued. A brief explanation of a s114 report is provided in Appendix 1b.

CIPFA Financial Resilience Review

19. On 3 August 2023 the council was issued with a non-statutory Best Value Notice from DLUHC in response to concerns highlighted in an external assurance review it had commissioned. This external assurance review, which is an independent review into the council's governance arrangements, was undertaken by Leslie Seary the former Chief Executive of the London Borough of Islington and built on an Assurance Review carried out by the Council's Chief Executive.
20. A Best Value Notice is issued to "facilitate engagement with that authority and to obtain assurance of the steps it is taking to secure compliance with the Best Value Duty, as required by the Local Government Act 1999".
21. As an exercise in continuous improvement, the council welcomed both the external assurance review and Best Value Notice. In response, an action plan was developed and is regularly being reviewed by DLUHC and Cabinet. This monitoring report also picks up on the actions of the council's Chief Executive's internal assurance review carried out over a similar timescale.
22. One of the actions was for the council to commission a CIPFA financial resilience review. Such reviews can be requested in tandem to the one for external assurance of governance however, due to the assessment of our issues being particularly governance-related, the CIPFA review was only requested following the outcome of the governance review.

23. Since September 2023 CIPFA have been undertaking the necessary detailed work. Their final report has been significantly delayed due to their resource constraints and other priorities taking precedence and is now due in late January / early February 2024. A separate action plan will be constructed to ensure the implementation of any agreed recommendations once the report is received.

Public Consultation

24. In support of the process for setting a budget for 2024/25, and as part of its commitment to being open and transparent, the council undertook a consultation asking residents and stakeholders for their views on the importance of council services, our financial strategy, lobbying government, and level of council tax increase. We also asked if respondents wanted to comment on some of our specific proposals to address the budget gap for 2024/25. A questionnaire and consultation document were produced and available online and in paper format. Respondents could also choose to send an email expressing their views. The consultation was widely promoted through a press release and social media channels including Facebook, X (formerly Twitter), Instagram, LinkedIn and Nextdoor. The consultation was sent to residents and stakeholders signed up to the council's consultation register. The consultation closed on Wednesday 20 December 2023.
25. In total we received 2,445 responses to the consultation questionnaire (224 paper copies and 2,221 online) and 14 emails. A summary of the consultation findings and the full analysis report can be found in Appendix 1c.

Provisional Local Government Finance Settlement for 2024/25

26. On 18 December 2023, the Secretary of State for DLUHC, Rt. Hon. Michael Gove MP, announced the 2024/25 provisional local government (LG) finance settlement. This was preceded on the 5 December 2023 by a local government finance policy statement which set out some detailed assumptions in advance of the settlement.
27. Figure 2 below sets out the impact of the provisional 2024/25 local government finance settlement on the unringfenced grant allocations as it pertains to BCP Council.

Figure 2: Provisional LG 2024/25 Finance Settlement - Unringfenced grants

	2023/24 £m	2024/25 £m	Change £m
Unringfenced Grants			
Revenue Support Grant	3.9	4.2	+0.3
Service Grant	2.1	0.3	-1.8
New Homes Bonus	0.3	0.1	-0.2
	6.3	4.6	-1.7

28. Once again the announcement was later than expected; it was issued hard up against the Parliamentary Christmas recess, and it was also the 6th consecutive one-year settlement. These issues combine to create difficulties for all local authorities by shortening the time available to react and undermining their ability to undertake accurate long-term financial planning.
29. In summary, the provisional LG 2024/25 finance settlement made no new resource announcements to support authorities in addressing the substantial financial challenges that the sector is facing at this moment in time. This includes no new resources to manage the 9.8% National Living Wage increase announcement by the government in the Autumn Statement. The government also announced a £1.8m cut to the Services Grant for this Council.
30. The Service Grant was introduced in 2022/23 when government provided £822m nationally to help vital service delivery at all levels of government. It was then reduced to £483m nationally in 2023/24. The expectation had been that it would reduce by £80m as part of the money moved to support specific social care grants but an overall reduction to just £77m nationally was unexpected.
31. When reflecting on the settlement government will refer to the fact that it has made provision for local government National Core Spending Power to increase by 6.5% for 2024/25. In considering this statement it is important to understand that it assumes that every local authority

will increase council tax by the maximum permissible (5% for Unitary Councils) and that every local authority will see the element of Business Rates that they are allowed to retain increase by September's CPI uplift on the business rates multiplier (6.7%).

32. One announcement included in the settlement for which the council is currently applying, and which will provide future options, was the extension by five years to 31 March 2030, of the Flexible Use of Capital Receipts (FUCR) regulations.
33. Both before and after the provisional LG Finance Settlement, the Local Government Association (LGA) have been lobbying to highlight the financial pressures facing councils as it is clear that half of council leaders and chief executives are not confident that they will have enough funding to fulfil their legal duties in 2024/25. In addition, commentators were clear that, with no additional funding announced, councils will have no choice but to implement more severe reductions to services and to levy higher council tax rises.

Quarter 3 Budget Monitoring Report – 2023/24

34. The December projection for the current 2023/24 financial year is that the council will be required to drawdown £27.2m from reserves to balance the 2023/24 budget. This is £2.8m less than was assumed within the February 2023 approved budget for 2023/24.
35. The improvement from the Quarter Two position demonstrates;
 - a) the positive impact of the expenditure freeze and vacancy management process approved by Cabinet in September 2023
 - b) The unanimous recommendation from 11 January 2024 Audit & Governance Committee to Council to adopt a revised debt repayment approach as recommended by the council's external Treasury Management advisers.
36. 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. Full details of the Quarter 3 Budget Monitoring report and latest forecast for 2023/24 are presented as a separate report on this Cabinet agenda.
37. It should be emphasised that failure to deliver any of the £34m of savings assumed and underpinning the 2023/24 budget will not just impact on the current year but will also potentially impact on the base budget for 2024/25 if deemed ongoing. This is definitely the case for the unidentified transformation savings which, after specific mitigations, will require the revenue budget for 2024/25 to be rebased by £6.7m.

2024/25 Proposed Budget

38. Council has a legal responsibility to set an annual balanced budget (Local Government Finance Act 1992) presenting the plan for how its financial resources are to be allocated and utilised. In that context the budget for 2024/25, 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. It is therefore an evolving document which will be constantly changing, and which will require constant monitoring with actions taken to mitigate variations as they occur. As such Cabinet have been clear that work will remain ongoing in relation to efforts to materially improve the council's financial sustainability and resilience.
39. As a relatively new council, setting the budgets in the first five years has been a challenge due to the lack of historic data and trend information for the council as a single entity. Stability around this position has been and will continue to be impacted by the ongoing uncertainty around the impact and long-term consequences of Covid-19 alongside that caused by the cost-of-living crisis.
40. The budget planning process and timetable in support of the 2024/25 budget were approved by Cabinet in July. A high-level summary can be shown as follows.

Figure 3: High level summary of the budget planning process



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

July 2023	Cabinet – Quarter 4 - Financial Outturn 2022/23
July 2023	Cabinet - MTFP update report (including financial strategy)
September 2023	Cabinet - Quarter 1 - 23/24 budget monitoring.
November 2023	Cabinet - MTFP update report.
November 2023	Cabinet – Quarter 2 – 23/24 budget monitoring
November 2023	Budget Workshop 1 (all councillor presentations)
November 2023	Budget Engagement Exercise opens.
December 2023	Cabinet – MTFP update report.
December 2023	Budget Engagement Exercise closes.
January 2024	Cabinet - Council Tax – 2024/25 tax-base report.
January 2024	Audit & Governance (Treasury Management Strategy)
January 2024	Budget Workshop 2 (all councillor presentation)
February 2024	Presentation to representatives from Commerce & Industry
February 2024	Cabinet - Quarter 3 - 23/24 budget monitoring.
February 2024	Cabinet – 2024/25 proposed budget & MTFP update.
February 2024	Councill – 2024/25 proposed budget and council tax setting.
42. Figure 3 below sets out the current Medium-Term Financial Plan (MTFP) to 2028. As a reminder to Cabinet, the 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 be reversed out in a following year. A more detailed summary statement is presented as Appendix 4 and 5.
43. Key features of the 2024/25 proposed budget as presented include;
 - £15.2m to cover demand and inflationary cost pressures in wellbeing services including adult social care and homelessness services (including pay, pensions, and national insurance uplifts)
 - £7.5m to cover demand and inflationary cost pressures in children’s services (including pay, pensions, and national insurance uplifts)
 - Elimination of the £30m structural deficit/funding gap created by using £30m of reserves to balance the 2023/24 budget
 - £41m of savings, efficiencies, service reductions, and additional fees and charges across services including £14m which has been established as transformation related all of which is supported with a detailed delivery plan
 - Application of one-off resources from the fundamental review of the business rates collection fund to improve the council’s financial health, sustainability and resilience and cover one-off or time-limited issues such as the phasing in of certain saving proposals over a period of more than one-year

- Revisions to the councils Treasury Management Strategy, including the amount provided annually for the repayment of debt, in line with the advice of the council's Treasury advisors LINK group and the recommendation of the 11 January 2024 Audit & Governance Committee
- 4.5% assumed pay award for 2024/25.
- 4.99% increase in council tax for 2024/25 made up off 2.99% for the basic amount and 2% for the social care precept. The financial planning assumption for future years is also 4.99% in line with the OBR forecasts
- Utilisation of the one-off business rates collection fund surplus to facilitate the delivery of the council regeneration and climate change ambitions, as well as assisting steps to improve the robustness of the budget proposals, reserves, and contingencies.

Figure 4: Medium Term Financial Plan to 31 March 2028

Service Pressures (net of any specific grant changes)	Budget 2023/24 £m	Incremental Year on Year Changes				
		24/25 £m	25/26 £m	26/27 £m	27/28 £m	Total £m
Wellbeing Directorate	131.7	15.2	5.5	5.5	5.8	32.0
Children's Directorate	87.3	7.5	5.0	5.3	5.3	23.1
Operations Directorate	65.4	8.5	2.8	1.7	1.5	14.5
Resources Directorate	39.1	3.1	0.6	0.7	0.4	4.8
	323.6	34.3	14.0	13.2	12.9	74.4
Savings, Efficiencies, Fees & Charges						
Wellbeing Directorate		(10.8)	0.0	(0.9)	(0.8)	(12.5)
Children's Directorate		(3.9)	0.5	0.0	0.0	(3.4)
Operations Directorate		(11.4)	(0.7)	(2.2)	(2.0)	(16.3)
Resources Directorate		(1.3)	(0.3)	(0.2)	(0.1)	(1.9)
Transformation		(13.8)	(3.1)	(0.7)	(0.1)	(17.6)
		(41.2)	(3.6)	(4.0)	(3.0)	(51.8)
Corporate Items - Cost Pressures						
	(14.7)	2.6	8.8	2.2	6.5	20.2
Funding - Changes						
	(308.9)	7.7	(17.6)	(16.5)	(16.7)	(43.1)
Annual – Net Funding Gap						
	(0.0)	3.4	1.6	(5.1)	(0.2)	(0.4)
Application of one-off business rates resources to MTFP						
	0.0	(3.4)	(1.6)	5.1	0.2	0.4
Annual – Net Funding Gap						
	(0.0)	(0.0)	0.0	0.0	0.0	0.0
Cumulative MTFP – Net Funding Gap						
		(0.0)	0.0	0.0	0.0	

44. Full details of the service pressures, corporate costs pressures and funding changes, where not referenced elsewhere in this report, are as set out in Appendix 3. A summary of the key assumptions can be set out as follows.

Figure 5: Key Budget & MTFP Assumptions

	2024/25	2025/26	2026/27	2027/28
Council Tax: Core	2.99%	2.99%	2.99%	2.99%
Council Tax: Social Care Precept	2.00%	2.00%	2.00%	2.00%
Pay Award	4.5%	2%	2%	2%
Increase in Fees and Charges	5%	2%	2%	2%
National Living Wage (NLW) <i>% Increase in the National Living Wage</i>	9.8%	2%	2%	2%
	Dec-23	Dec-24	Dec-25	Dec-26
Bank of England - Base Rate	5.25%	4.25%	3.00%	3.00%

Please note:

The increase in fees and charges should be regarded as a minimum increase to those not set by statute. The principle of full cost recovery may mean increases above these levels for example where costs are likely to rise by the National Minimum Wage which has been confirmed at £11.44 per hour in 2024/25 which is an increase of 9.8%.

Savings and Efficiencies

45. Across the first six years of BCP Council the savings have flowed from reduced staffing, lower operational costs, from creating common and consistent charging policies or from reduced service levels. A detailed schedule of all the assumed savings supporting the proposed budget for 2024/25 is presented as appendix 5a, which includes those savings attributed to the council's transformation investment programme. Each of these savings is underpinned by a detailed plan for delivery. To support the understanding of the savings in the Operations Directorate area of activity Appendix 5b presents the service standards for 2024/25.
46. In respect of the Transformation Programme, managers have worked closely with heads of service and directors and given the priority of setting a balanced budget focus of attention was on the identification of savings. Care has been taken to ensure the correct categorisation of savings and to avoid duplication or double counting. Work at this point, having not yet completed all the system and process changes has not identified any further savings over and above everything already set out in the MTFP, indeed the transformation work already done to date helps to make those savings easier to achieve. Further savings from the Voluntary Redundancy scheme should be easier to implement by making the most of the new systems for financial management, customer relationship management, data analysis and artificial intelligence.
47. The scale of the challenge means that difficult choices concerning service changes must be made by the Council to ensure a legally balanced budget for 2024/25 can be set. Although focused primarily on discretionary services, consideration has also been given to statutory services and reducing service levels towards the statutory minimum.
48. It should also be highlighted that from 1 April 2024 onwards the MTFP assumes, as a matter of policy, that all locally set fees and charges will increase at least in line with inflation and/or be adjusted to ensure they are set at a level which guarantees full cost recovery.
49. In recognition of the high value of savings proposals, the degree of uncertainty attached to some of them, and the likelihood of optimism bias associated with several of the proposals, the budget proposes to set aside £5.7m as an additional one-off contingency funded specifically from the one-off business rates collection fund surplus created following its fundamental review.
50. In addition, this report recommends that a freeze on non-essential expenditure is implemented from 1 April 2024 and continued until such time as the delivery of the £41m of 2024/25 budget savings has been assured. This assurance will be the objective of a regular and specific meeting

of the officer Corporate Management Board to monitor progress with each individual saving proposal.

51. The table below sets out the level of savings which have been put forward since 2019 as part of the process of balancing the annual budgets. This demonstrates that the savings have been particularly loaded towards the last two financial years.

Figure 6: Service based savings since 2019 (shown on an incremental basis)

	Budgeted 2019/20 £m	Budgeted 2020/21 £m	Budgeted 2021/22 £m	Budgeted 2022/23 £m	Budgeted 2023/24 £m	Estimate 2024/25 £m	Total £m
Total	(11.2)	(9.4)	(20.7)	(6.6)	(34.0)	(41.2)	(123.1)

Council Tax

52. In proposing a Council Tax for 2024/25 the Cabinet has reflected on the fact that it is 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 need to ensure that every step is being taken to align the council's expenditure with the resources at its disposal.
53. The proposal is to increase council tax by 4.99% in 2024/25. 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.
54. The financial planning assumption for future years continues to be that council tax will be increased by 4.99% per annum in line with the Office for Budget Responsibility (OBR) economic and fiscal outlook forecasts which accompanied the 2023 Autumn Statement.
55. 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 8 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.
56. As a reminder the table below 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 4-year period. Note – the 2021/22 Social Care precept was identified as being available to be taken in either 2021/22 or 2022/23. BCP Council chose to defer the full increase to 2022/23.

Figure 7: BCP Actual Council Tax Increases compared to Government Thresholds

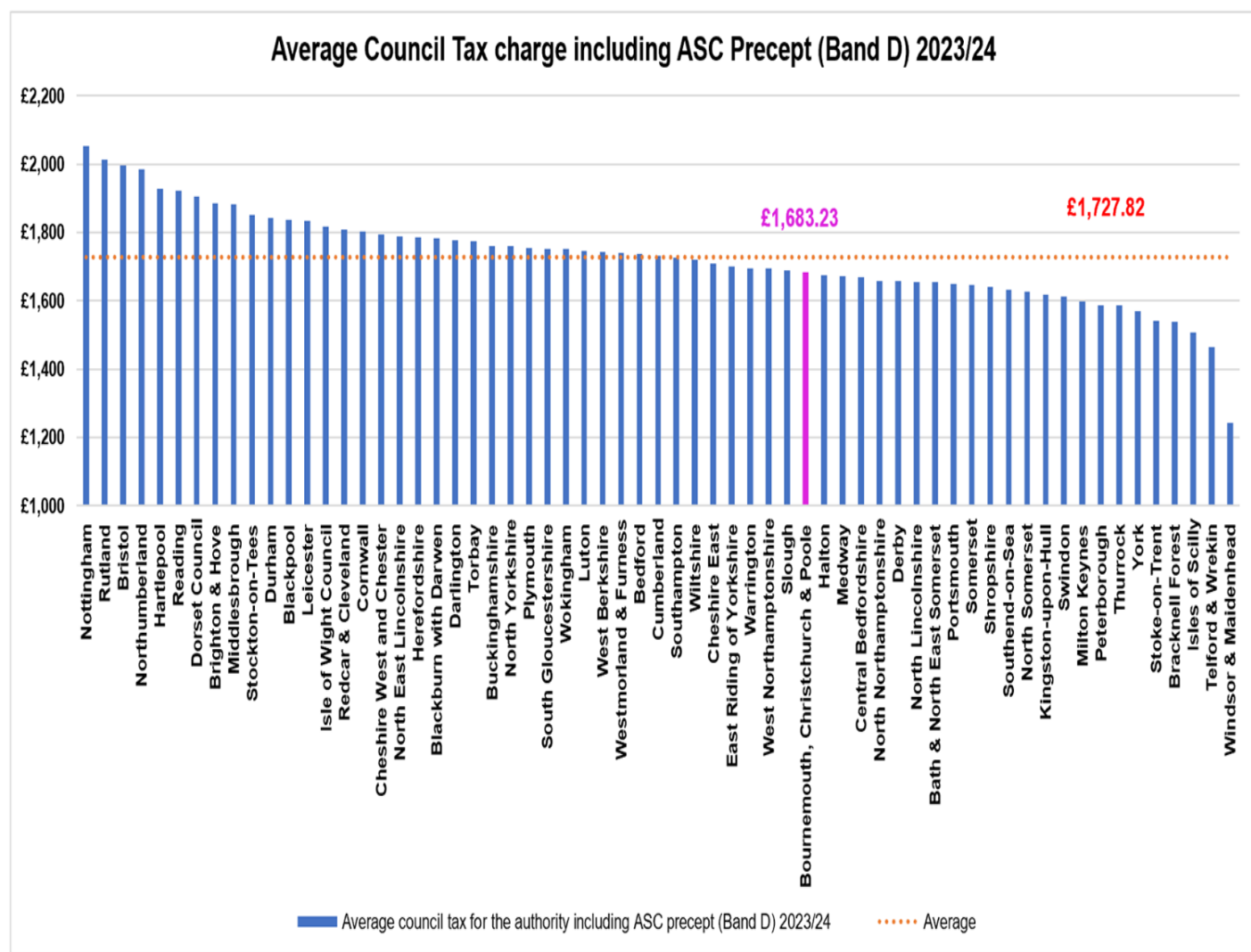
	Government Assumed Increases (thresholds)			BCP Council Actual Increases		
	Basic %	Social Care	Total	Basic %	Social Care	Total
2021/22 Financial Year	1.99%	3.00%	4.99%	1.55%	0.00%	1.55%
2022/23 Financial Year	1.99%	1.00%	2.99%	0.00%	4.00%	4.00%
2023/24 Financial Year	2.99%	2.00%	4.99%	2.99%	2.00%	4.99%
2024/25 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

57. In reflection of the decision to use approximately £30m of one-off resources to balance the 2021/22 and 2022/23 budgets rather than the more financially sustainable option of increasing council tax in line with the government's assumptions, the Leader of the Council wrote to the DLUHC Secretary of State on 20 December 2023. In her letter the Leader requested the flexibility to increase council tax by an additional 2.43% in 2024/25 which is the additional increase that could have been implemented across that 2-year time frame. If this request was sanctioned it would have meant the council would have been able to avoid approximately £6m of the service reductions that it has otherwise had to put forward. No response has been received at the time of writing this report.

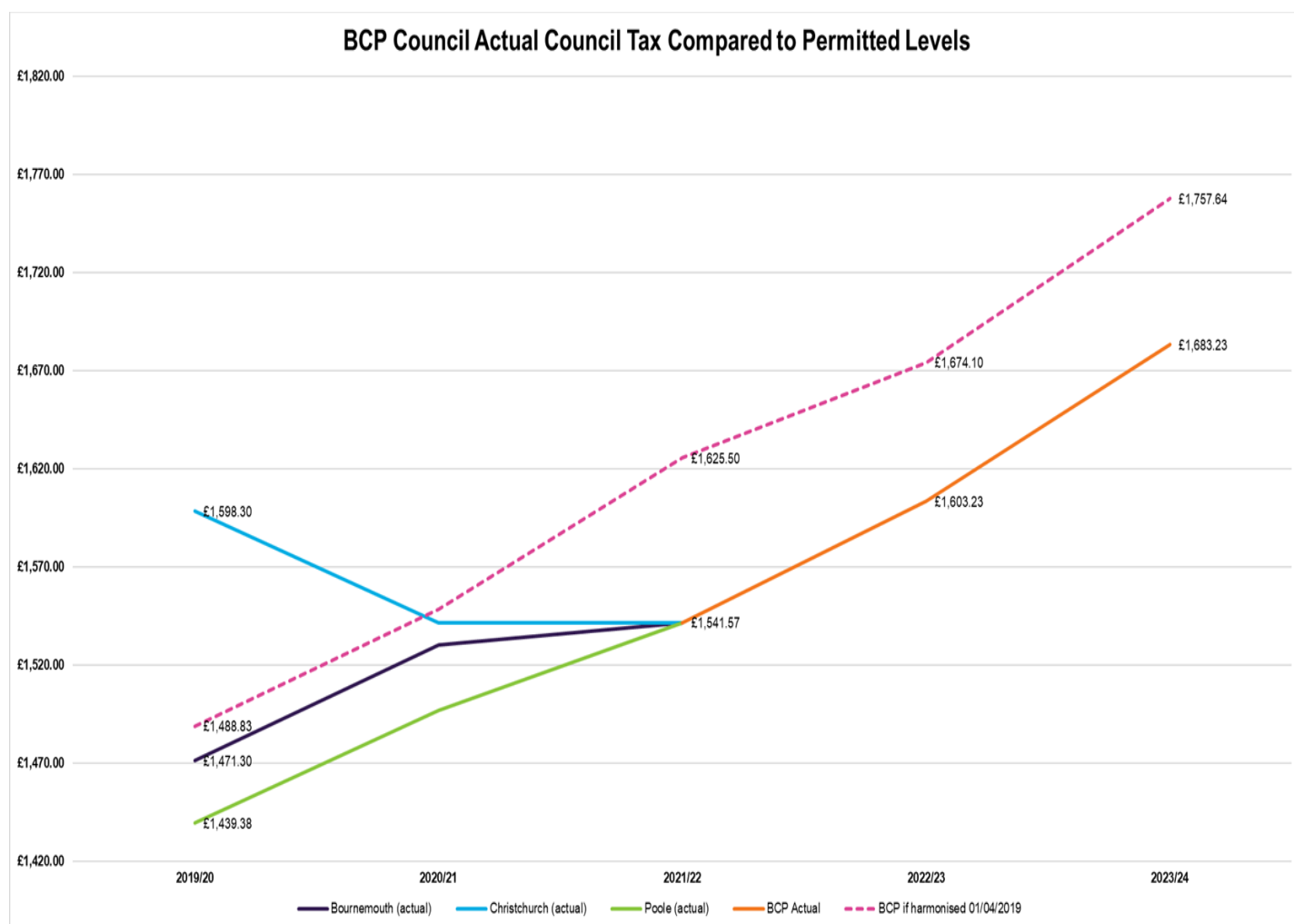
58. The BCP Band D council tax for 2023/24 is £1,683.23. The equivalent council tax for our nearest neighbour Dorset Council was over 13% higher at £1,905.93. This equates to approximately £32m per annum in additional resources BCP Council could be generating based on the BCP 2023/24 tax base if it had Dorset Council's level of Council Tax. It should be recognised that in comparison to other unitary councils BCP Council has a council tax level which is below the average and would have still been below the average if it had increased its Council Tax by the 2.43%.

Figure 8: Unitary Authorities 2023/24 Average Council Tax Levels



59. Figure 9 below demonstrates that if the council tax had been 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 £1,757.64 in 2023/24 which is 4.4% higher than the cumulative £1,683.23 actual rate set. We are therefore clear that this council has locally decided not to generate and therefore forfeit the £10.8m per annum extra revenue that we could have been generating. While this is an annual benefit to our local council taxpayers it has come at some cost to those that receive Council services.

Figure 9: BCP actual council tax levels compared to permitted levels.



Dedicated Schools Grant

60. The most significant risk to the council's financial sustainability continues to be the current and growing deficit on the Dedicated Schools Grant (DSG) specifically regarding the annual expenditure on the high needs block being more than the annual government grant. As previously indicated the deficit on the DSG was £35.8m as at the 31 March 2023 and this is currently estimated to grow to £63m on the 31 March 2024. This is not a sustainable position.
61. By the end of March 2024, the deficit will be greater than the council's total general fund reserves and ordinarily the council would be required to issue what is referred to as a s114 report which would put the council into effective administration and in turn lead to further government intervention. This action is currently not necessary as the government have put in place to 31 March 2026 a statutory override which enables the council to ignore the DSG deficit for the purposes of the s114 assessment.
62. In considering the proposed budget it should be emphasised that the council is responsible for making the cash payments as part of the High Needs Budget arrangements. Therefore, it must ultimately borrow more money than it otherwise would need to ensure it has enough cash available to make the actual high needs budget payments. An average deficit of £77m in 2024/25 at an average interest rate of 5% means it will be costing the council up to £3.9m to finance the accumulating DSG deficit in 2024/25.
63. In response to the overall DSG deficit issue, and to mitigate the risk, the council has been invited to be part of the Department for Education's Safety Valve programme and has been engaged in a conversation to determine if agreement can be reached on a way forward. These conversations are complex and demand that the Council put forward illustrations which are both

unpalatable, divisive and unacceptable. No decisions will be made without full consultation of all those affected.

Capital Investment Programme (CIP) - Overview

64. 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 (FUCR)
 - 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 receipts, besides the funding of the transformation investment programme via the FUCR strategy will also be considered for application as part of the Treasury Management Strategy towards the voluntary repayment of debt.

65. Figure 10 below presents a high-level summary of planned capital spend over the next five years. It is forecast that £148.2m will be spent in 2024/25 and a further £136.7m in the following four years creating a total 5-year programme of £284.9m spend on assets and infrastructure across the conurbation. Around 32% of planned 2024/25 spend is on investment in highways and coastal protection across the conurbation (including the Transforming Cities Fund (TCF) Programme). Significant investment (34% of 2024/25 spend) is also planned on housing and regeneration. This includes the Council Housing Newbuild & Acquisition Strategy (CHNAS) and major place shaping developments. Ongoing investment in estates, environment, seafront development, and organisational design is also planned for 2024/25 (around 33% of planned expenditure).

Figure 10: Capital Investment Programme Expenditure profile to 31 March 2029

General Fund	Planned Programme 2024/25 £'000	Planned Programme 2025/26 £'000	Planned Programme 2026/27 £'000	Planned Programme 2027/28 £'000	Planned Programme 2028/29 £'000	Total 2024 to 2029 £'000
Adult Social Care	2,172	2,180	2,176	2,095	2,095	10,716
Children's Services	800	400	350	33	0	1,581
Transport & Engineering - Highways (inc indicative Pothole Grant and Local Transport Plan Grant)	17,760	8,788	8,788	8,788	8,788	52,912
Transport & Engineering - Transforming Cities Fund	14,601	11,000	0	0	0	25,601
Transport & Engineering - Flood and Coastal Erosion Risk Management (FCERM)	15,184	13,643	790	0	0	29,616
Regeneration (inc Investment and Development)	19,934	26,801	9,177	0	0	55,913
Destination & Culture (inc seafront development)	35,520	0	0	0	0	35,520
Housing & Communities (inc major housing development)	31,189	13,706	10,511	1,424	1,424	58,254
Estates	518	518	518	518	518	2,590
Environment (waste, fleet, parks & open spaces)	8,073	410	410	410	410	9,713
Resources (ICT investment including Organisational Design)	2,497	0	0	0	0	2,497
Capital Investment Planned	148,247	77,445	32,719	13,267	13,235	284,913

66. 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. Full details of the Capital Investment Programme are presented in Appendix 7a.
67. 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 11: Capital Investment Programme Funding profile to 31 March 2029

General Fund	Planned Programme 2024/25 £'000	Planned Programme 2025/26 £'000	Planned Programme 2026/27 £'000	Planned Programme 2027/28 £'000	Planned Programme 2028/29 £'000	Total 2024 to 2029 £'000
Government Grant	77,143	48,300	11,806	11,439	11,407	160,095
Third Party Receipts	2,733	0	0	0	0	2,733
CIL	1,558	0	0	0	0	1,558
External Funding Contributions	81,434	48,300	11,806	11,439	11,407	164,386
Corporate Revenue Funding for Capital (in year)	25	0	0	0	0	25
Capital Receipts	667	0	0	0	0	667
Capital - Earmarked Reserves	618	0	0	0	0	618
Revenue - Earmarked Reserves	518	518	518	518	518	2,590
PRU Borrowing - funded from Futures Fund	5,883	950	0	0	0	6,833
PRU Borrowing - funded from MTFP revenue budget	59,102	27,677	20,395	1,310	1,310	109,795
BCP Funding Requirement	66,813	29,145	20,913	1,828	1,828	120,528
Capital Investment Funding	148,247	77,445	32,719	13,267	13,235	284,913

68. The main financial risks associated with the CIP are associated with inflation driven by the post pandemic economic environment, the war in Ukraine, events in the Middle East, and government fiscal policies. Senior Responsible Officers (SROs) for all projects have been

required to review their projects and assess their viability considering the current cost of material and labour and to allow appropriate contingencies for uncertainty moving forward. SROs for those projects funded by borrowing have been required to consider the surety of any income streams or savings.

Carters Quay Development

69. The Carters Quay Housing and Regeneration Scheme is a Build to Rent Scheme designed to provide 161 new homes with an ancillary ground floor amenity and commercial space. Council in late 2021 agreed to purchase the completed scheme from Inland Partnership Limited for £44.3m.
70. Global macroeconomics including an increase in interest rates and the costs of material and labour had a direct impact on the scheme. The council mitigated itself against an element of these risks by prudently entering a fixed price contract and obtaining a legal mortgage over the property. Nevertheless, Inland Homes have entered administration with the council having made £15.3m in payments as part of the contract arrangements for work completed to date.
71. The latest position on this project was subjected to a review by the Overview and Scrutiny Board at its meeting on 9 October 2023. Officers continue to work with the Administrator on the way forward and to ensure the council's investment in the scheme is protected.

Asset Management Plan (AMP)

72. 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.
73. Attached as Appendix 8 is an update on the initial AMP for the council produced as part of the 2023/24 budget report. It is recognised that this document will evolve into a more comprehensive and traditional full plan, as advocated by best practice, as part of the 2025/26 budget. This evolution will be supported by the centralisation of all aspects of land and property management, referred to as a corporate landlord model (CLM). Included in the appendix is a high-level action plan for the next 12 months and an update on progress in delivering those previously agreed.

Treasury Management Strategy (TMS)

74. The council's Treasury Management Strategy (TMS) is subject to regular review and was last reported to the Audit & Governance Committee for monitoring and update purposes in January 2024. 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 2024/25 are set out in Appendix 9 for approval by Council.
75. 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.
76. 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.

77. 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 is required to periodically review the approach to be taken and determine the approach that it considers to be prudent with the guidance indicating four ready-made options. A review of the MRP policy has been undertaken by the council's Treasury Management Advisors (Link) to identify opportunities to move to a more sustainable and cost-effective strategy whilst ensuring that the provision remains prudent and compliant with statutory guidance. Their recommendation is to move to annuity basis (the same approach as taken by most people repaying their mortgage) for both supported borrowing and historic debt prior to 2008 rather than the current reducing balance method, and the annuity basis for all unsupported borrowing rather than the reducing balance or asset life method inherited from predecessor authorities.
78. Link, have director level representation at the roundtable discussions with government looking at capital and treasury management policy and have carried out extensive research on current MRP policies in England and have observed that the annuity method of calculating MRP is used by over 60% of Authorities throughout the country.
79. The implementation of these options will reduce the 2023/24 charge from £9.4m to £2m and lead to a revised charge with increasing provision required each year as consistent with the annuity method. As part of process due regard was also given to the decision by Council to half its overall debt threshold from £1.334bn to £755m which significantly reduces the council's future exposure to borrowing risks. Consideration will also be given annually as whether it would be appropriate to make a Voluntary Revenue Provision (VRP).

Reserves

80. The council holds reserves as part of its approach to maintain a sound financial position and to demonstrate that there are no material uncertainties about the council as a going concern. The requirement for financial reserves is linked to legislation such as the Local Government Act 1992, which requires councils to "have regard" to the level of reserves needed to meet future expenditure when calculating a budget. As part of his formal annual section 25 report the council's Director of Finance is required to report on the adequacy of reserves. This assessment is summarised later in this report.
81. 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 both the 2023/24 and 2024/25 budgets will require the council's finances to be underpinned by a robust level of reserves. In general councils hold two main forms of reserves.
82. 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.
83. The Chartered Institute of Public Finance and Accountancy (CIPFA) previously advised that general or unearmarked reserves should be 5% of net revenue expenditure (NRE) as an absolute minimum. Benchmarking with other Unitary Authorities places us on the lower side of the median and therefore in the higher risk category. The 2023/24 budget allowed for a one-off investment of £1.9m into unearmarked reserves and an annual contribution of £0.7m from 2024/25 to reflect the increasing level of annual expenditure. On 31 March 2023 unearmarked reserves totalled £17.9m which represented 5.8% of the net budget.
84. The 2024/25 budget looks to further improve this position. Firstly, a fundamental review of all earmarked reserves has been undertaken during 2023 to determine any resources that are no longer needed for their original purpose and therefore can be redirected. Net of a £1.7m investment to support improvement in Children's Services this has led to a forecast 31 March 2024 balance of £19.1m. Secondly instead of a £0.7m annual contribution in each of the next four years as assumed in the 2023 budget (£2.8m total) the proposal is to use the £2.8m forecast reduction in the earmarked reserves underpinning the 2023/24 budget, as set out in the

Quarter 3 budget monitoring report for 2023/24, as a one-off contribution. This strategy aims to ensure that by 31 March 2024 unearmarked reserves have been increased to £21.9m which will amount to a 43% increase from their 31 March 2022 position and equates to 6.1% of the proposed net revenue budget.

85. Earmarked Reserves: are set aside to meet identified spending commitments and can only be used for the purpose for which they have been created. These reserves will continually be reviewed, and any resources not needed as intended transferred into unearmarked reserves. They include reserves in support of various partnerships where the council is the accountable body, 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. Details of the councils earmarked reserves are presented at Appendix 10a.
86. The council had earmarked reserves of £68.5m as of 31 March 2023. Of this, £30m relates to resources specifically set aside to support the balancing of the 2023/24 budget, and to avoid the severe cuts to services that would otherwise have had to be made. As these resources were one-off then the proposed 2024/25 needs to make the necessary adjustments to service levels.

Figure 12: Latest Reserve Forecast

	Balance 31-Mar-19 £m	Balance 31-Mar-20 £m	Balance 31-Mar-21 £m	Balance 31-Mar-22 £m	Balance 31-Mar-23 £m	Estimate 31-Mar-24 £m	Estimate 31-Mar-25 £m
Unearmarked Reserves	15.3	15.3	15.3	15.3	17.9	21.9	21.9
Earmarked Reserves	69.7	90.4	175.3	114.3	68.5	20.2	25.6
Total Reserves	85.0	105.7	190.6	129.6	86.4	42.1	47.5
Dedicated Schools Grant	-3.6	-4.6	-7.9	-20.3	-35.8	-63.0	-92.0
Net Position	81.4	101.1	182.7	109.3	50.6	-20.9	-44.5

Please Note: Earmarked Reserves as at 31 March in both 2021 and 2022 are distorted by numerous Covid-19 government grants.

Financial Health Indicators

87. In developing the budget strategy for 2024/25, and the medium-term financial plan, the council has been reflective of the outcomes of the annual CIPFA Financial Resilience Index and other financial benchmarking. In determining the strategy, it is essential to ensure the council manages its financial resilience to meet unforeseen demands and pressures on services.
88. The latest CIPFA Financial Resilience Index benchmarking is based on the Revenue Outturn information for 2022/23 and figures submitted for each local authority reflecting their position on 31 March 2023. In respect of BCP the index was adverse in the areas listed below:
 - a) Social Care Ratio - proportion of budget spent on adult and children's social care services
 - b) Level of Reserves – ratio of useable reserves to the council's net revenue expenditure
 - c) Change in Reserves – percentage change in reserves over the previous three financial years.
89. Setting aside the issue of reserves which is reflected on earlier in this document and the attached s25 report, the highest area of risk to the financial resilience of the council compared to other similar authorities is the proportion of budget spent on adult and children's social care services. Not only is it high but it is seen as an inflexible cost which is difficult to reduce in the short term and impacts on the council's ability to respond with agility to changing demands.

Sensitivity analysis

90. 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 13 below.

Figure 13: Council sensitivity to potential changes in assumptions

Description	£000s
Looked after child (average high cost - residential) per child	576
Looked after child (average top 10 independent fostering) per child	114
Intensive homecare package for a disabled person (average top ten excluding proportion of Health funding)	270
Vulnerable adult (learning disability - residential <65) (average excluding proportion of Health funding)	90
Vulnerable adult (learning disability - residential <65) (average top ten excluding proportion of Health funding)	204
Older person's supported residential care (average excluding proportion of Health funding)	57
Older person's supported residential care (average of the top ten excluding proportion of Health funding)	140
Increase in adults' cost of care for every 1p increase in the National Living Wage	120
Increase in the £7.7m cost of the concessionary fare scheme (per 1% increase journey numbers)	77
Change in the Pay Award by 1%	1,899
Change in the Revenue Support Grant by 1%	(42)
Change in the level of Council Tax by 1%	(2,586)

91. 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 13 above once it has negotiated a contribution from National Health Service Dorset. The risk associated with 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 59 homes (2023/24 band D equivalents).
92. Also, of relevance to the sensitivity of the budget is the robustness of the estimates made to underpin the budget. As per the position on reserves the councils Director of Finance is formally required to report on their robustness as part of his formal annual section 25 report.
93. Officers will have factored into their assumptions numerous matters such as government announcements, economic forecasts, trend analysis and professional judgement. Of 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.
94. As per recommendation (c) of this report it is proposed that any changes between the provisional 2024/25 Local Government Finance settlement, issued in December 2023, and the final settlement due in early February 2024, will be delegated to the Chief Executive in consultation with the Director of Finance, Leader, and Portfolio Holder for Finance to allocate.

Director of Finance advice on the robustness of the budget and adequacy of reserves

95. The Local Government Act 2003 (Section 25) requires the Director of Finance to report on the following matters to members when agreeing its annual budget and council tax levels.
- the robustness of the estimates made for the purposes of the budget calculations, and
 - the adequacy of the proposed financial reserves.
96. Council must have regard to this report when making its decisions around the annual budget and the level of council tax.
97. For members of the Council the Section 25 statement provides critical context for budgetary discussions. The provision of this information is a legal requirement and ensures that all members have regard to the professional advice provided by the authority's Director of Finance when final budget decisions are made being made. To give a level of additional assurance to this report it has also been prepared in consultation with the Chief Executive.
98. It should be emphasised that councils can and do experience significant financial difficulties as recent high-profile cases such as those at Northamptonshire County Council, Slough Borough Council, Croydon Council, Thurrock Council, Woking Council, Birmingham Council, and Nottingham City Council all demonstrate.
99. The formal s25 report of the s151 Officer is included as Appendix 10 to this report. In conclusion to his report the Director of Finance considers the proposed budget for 2024/25 is robust and the level of reserve is adequate, given a clear understanding by members and senior management of the following:
- a) The council is technically insolvent as it has negative general fund reserves due to the deficit on its DSG as pertaining to expenditure on the Special Educational Needs and Disability service. This DSG deficit is growing by more than £29m per annum which is equivalent to the difference between the actual continuing expenditure on the High Needs Block and the government funding being made available. A solution needs to be identified with government by this time next year on the basis that, as it stands, the Director of Finance is likely to have to determine whether or not a legally balanced budget can be set for the whole of the 2025/26 financial year, which will be almost impossible as the current statutory override ends on 31 March 2026, the last day of that financial year.
 - b) That unearmarked reserves are only just sufficient to cover an unexpected single event such as a cyber-attack, the requirement to provide for/or write-off the expenditure on Carter's Quay, or significant in-year overspending. Any such single event would then require drastic action to restore such reserves to the minimum recommended level. They would be insufficient for the realisation of multiple risks
 - c) That the advice of the Director of Finance is to continually look to all opportunities to increase unearmarked reserves and improve the council's overall financial sustainability
 - d) Effective governance arrangements will be maintained at Executive, Senior Management, Directorate, and budget holder level to monitor the overall delivery of the 2024/25 budget
 - e) Directors and budget holders accept their responsibilities and accountability to deliver their services within the parameters of the agreed budget including the realisation of approved savings
 - f) That a freeze on all non-essential expenditure will be applied from 1 April 2024 onwards until such time as the delivery of the £41m of 2024/25 budget savings have been assured
 - g) Directors will diligently identify and rigorously apply mitigation strategies for any in-year budget pressures that do materialise
 - h) Earmarked reserves will be supported by a clear plan held by the service and will be drawn down in line with the profile. Any not needed for their original purpose will be redirected into unearmarked reserves
 - i) The levels of reserves and contingencies is adequate, but all opportunity should be taken for them to be enhanced by any further improvement in the in-year position
 - j) Effective governance arrangements will be maintained at Executive, Senior Management, Directorate, and budget holder level to monitor the overall delivery of the 2024/25 budget.

100. It should be highlighted in mitigation of the risk associated with the appropriate financial management processes and practices it is intended to ensure that all budget holders are issued with a "Budget Assurance Statement" in support of their 2024/25 budget. This is a new document that formalises that they accept their budget and agree to deliver services within its financial parameters. The documents also provide evidence in support of any major elements such as the establishment and high value contracts.
101. 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)

102. 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 2024/25.

Chief Officers' Pay Policy Statement

103. 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.
104. 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.
105. For 2024/25 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

106. The council is required to adopt an annual scheme of councillor allowances as specified under the Local Authorities (Members' Allowances) (England) Regulations 2003.
107. Council on 23 May 2023 agreed a scheme of members' allowances for 2023/24 which included a provision that the allowances be increased in accordance with the Employees' National Pay Award when determined and backdated to 23 May 2023. The agreed pay award applicable to the scheme of allowances for 2023/24 was 6.75%. The budget as proposed for 2024/25 assumes a pay award increase in 2024/25 of 4.5%.
108. As part of the proposed budget, provision has been made for a total cost of £1.660m in 2024/25.

Consultation

109. 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 2 February 2024 on the budget for 2024/25 and Medium-Term Financial Plan from the BCP Council Leader, Chief Executive, and the Director of Finance.
110. 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.

Options Appraisal

111. Numerous alternative permutations are possible around budget savings proposals and council tax strategies for 2024/25. Any alternatives considered will need to be supported by a robust evidence base detailing the sustainable substitute funding strategies. Any alternative will also require the appropriate level of due diligence and the advice of the statutory officers.
112. It is not an acceptable alternative not to agree a legally balanced budget for 2024/25, and to advocate a circumstance which leads to a s114 report being issued accompanied by an assumption that commissioners would be appointed to make the necessary difficult decisions.
113. Only a decision to increase council tax by the maximum 4.99% can be considered consistent with government policy for the funding of local government both now and into the future.

114. A decision to increase council tax in line with the maximum will best protect the current and future financial sustainability of council and will best preserve service delivery levels into the future.

Summary of financial implications

115. Any financial implications of the report's recommendations are considered, alongside alternative options, elsewhere within this report.
116. Councillors should consider how effective the 2024/25 proposed budget will be in supporting the financial sustainability of BCP Council.

Summary of legal implications

117. The council is required to set a council tax for 2024/25 before 11 March 2024. It may not be set before all major precepts (i.e. precepts from the Police and Fire Authorities) have been issued or before 1st March 2024, whichever is the earlier. The decision to set the level of council tax is reserved to Council and cannot be taken by Executive or delegated to officers, although Executive has to recommend a budget to Council.
118. Before determining the level of the tax, the Council must estimate its proposed revenue expenditure, taking into account amounts required by way of contingency, any need to raise reserves and any other amounts which the Council is legally required to transfer between funds. It must also estimate its anticipated income, any relevant transfer between funds and any proposed use of reserves. It must then calculate the difference between the two which is the council tax requirement.
119. The Council's Director of Finance (under s151 Local Government Act 1972) is required to report to the Council on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the calculations in connection with which it is made. The Director of Finance has a statutory duty under section 114 Local Government Finance Act 1988 to issue a written report if he considers that a decision taken by the Council would be unlawful and likely to cause a financial deficiency.
120. In reaching decisions on these matters, Members are bound by the general principles of administrative law. Lawful discretions must not be abused or fettered and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account, and any decision made must be one which only a reasonable authority, properly directing itself, could have reached. Members must also balance the interests of service users against those who contribute to the Council's finances. The resources available to the Council must be deployed to their best advantage.
121. Members must also act prudently. Members must also bear in mind their other statutory duties to have regard to certain matters when making decisions. Members must have regard to their Public Sector Equality Duties and the impact decisions, if approved, may have on those who fall within the protected characteristics under the Equalities Act 2010. Members must consider the Equalities Impact Assessment prepared in support of this report and the need to eliminate discrimination, to mitigate against negative impacts where these are known and to promote equality when making decisions. A failure to follow these principles could open the Council to judicial review.
122. Members have a fiduciary duty to the council taxpayers and others in the local authority's area. This means that members must behave responsibly in agreeing the budget. Members have no authority to make anything other than a balanced budget.
123. Among the relevant considerations which Members must take into account in reaching their decisions are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans is contained in Section 65 of the Local Government Finance Act 1992.
124. In considering the advice of officers, and the weight to be attached to that advice, Members should have regard to the personal duties placed upon the s151 Officer. Members are obliged under the Code of Conduct to have regard to the advice of the s151 Officer and Monitoring Officer. The Council may take decisions which are at variance with their advice, providing there are reasonable grounds to do so. However, Members may expose themselves to risk if they

disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts, and future liabilities. In addition, if Members wish to re-instate savings recommended by the Director of Finance in order to balance the budget, they must find equivalent savings elsewhere.

125. The Director of Finance is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2011 (as amended) to ensure that the council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. This is in addition subject to the requirements set out above.
126. Members must also have regard to, and be aware of, the wider duties placed upon the council by various statutes governing the conduct of its financial affairs. These include the distinction between revenue and capital expenditure and the requirement to set prudential indicators in line with capital investment plans that are prudent, affordable, and sustainable.
127. Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of council tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears and will not be voting on the decision for that reason. The Member concerned must not vote but may speak. The application of Section 106 of the 1992 Act is very wide and Members should be aware that the responsibility for ensuring that they act within the law at all times rests solely with the individual Member concerned.
128. If a referendum is held after the beginning of the relevant financial year, the higher rate of council tax will be payable unless and until it is overturned by a 'no' vote in the referendum. It must also provide "substitute calculations" which need to be presented to Council setting out what the alternative budget would be. This means that if a party proposes a council tax above the referendum limit, they must also produce "substitute calculations" within the referendum limit, to be used in the event that the referendum would reject the increase. In the event that a referendum rejects the increase, the billing authority would be able to issue new bills, offer refunds at the end of the year or allow credits against liability the following year, although individual council taxpayers would be entitled to a refund on demand.

Summary of human resources implications

129. The 2024/25 budget will have a direct impact on the level of services delivered by the council, the mechanism by which those services are delivered and the associated staffing establishment. A tentative estimate is that the 2024/25 budget proposals we lead to a reduction in the workforce of over 150 full time equivalent posts. Not all these posts will currently be filled. Some will be vacant posts, some will currently be provided via agency staff arrangements, and some will be filled with staff on short term contract. Ultimately the current estimate is that there could be over 120 redundancies, a high percentage of which will be linked to the voluntary redundancy process.
130. This report acknowledges that the Transformation Programme and the actions necessary to manage future years budgets are also likely to have an impact on future staffing levels.

Summary of sustainability impact

131. Consideration has been given as part of this budget for 2024/25 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 budget continues to protect the staffing resources associated with climate change and ecological emergency activity. In respect of support to projects £452k has been specifically set aside to increase the earmarked reserve set aside for this purpose to £1m on the 31 March 2024.
132. 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.
133. 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

134. The Department of Health and Social Care allocated BCP Council £21.29m, a 3% increase from 2022/23, to deliver its public health service in 2023/24. This will be combined with the £15.09m allocated to Dorset as part of the joint pan Dorset service.

Summary of equality implications

135. 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
136. The impacts of the council budget for 2024/25 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.
137. 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.
138. 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.
139. 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.
140. The full EIA is included as Appendix 11 to this report.

Summary of risk assessment

141. Throughout this report and the accompanying formal s25 report of the Director of Finance, presented at Appendix 10, reference has been made to several key risks to which the council is currently exposed. Members are reminded that these can be summarised as follows.
- **Uncertainty.** High levels of financial planning uncertainty at this time caused principally by the ongoing implications of cost-of-living crisis.
 - **Accumulating DSG Deficit.** BCP Council will technically be insolvent on the 31 March 2024 as expenditure on the supporting children with Special Educational Needs and Disability services is currently over £29m higher than the funding made available by government.
 - **Best Value Notice.** Requirement to provide assurance that Council is taking steps to address concerns raised in an external assurance review by the former Chief Executive of the London Borough of Islington on behalf of DLUHC.
 - **Intervention.** Children Services is on a journey of improvement since the inadequate Ofsted judgement in February 2022. Additionally, the external auditor concluded as part of their latest annual report that the council does not have adequate arrangements for securing Value for Money (financial sustainability in addition to issues associated with governance and children's services).

- **Children's Services.** Ongoing costs and demands on the service at a time when they are focused on their improvement journey. Some of these concerns include the impact of national issues such as the profit being made on care placements, and the agency social worker environment.
- **Wellbeing Services.** Ongoing costs and demands on the service including the capacity in the care market at affordable rates and the sharp rise in homelessness.
- **Delivery £41m in savings, efficiencies, and additional income generation.** Considerable challenge and inherent risk in a smaller organisation by way of head count to deliver 20% more than the amount budgeted in 2023/24 (which was almost equal to the total saving delivered in the prevailing 3-years). Mitigation in the form of the recommendation to implement an expenditure freeze until delivery of the savings has been assured.
- **Pay award.** A 4.5% provision for 2024/25 pay award has been made as part of the proposed budget. Unison is currently seeking a view from its members in respect of a 2024 pay claim of 10% or £3,000 whichever is greater. Every 1% variation is estimated to cost the council £1.9m.
- **New Pay and Grading Structure.** Further to negotiations with the Trade Unions who are balloting their members on whether to agree the arrangements for a new single pay and grading structure and terms and conditions.
- **Realisation of capital receipts to fund the council's transformation programme.** £31.4m of capital receipts from the disposal of assets are required over the 2-year period to 31 March 2025 to fund the transformation programme. Of this an amount of £12.5m has already been delivered leaving £2.5m in 2023/24 and £16.4m in 2024/25 remaining to be delivered. Disposals of £15.1m are identified and in the pipeline leaving a £3.8m shortfall for sites remaining to be brought forward.
- **Carters Quay.** Payments of £15.3m have been made towards the development of the agreed 161 new homes with ancillary ground floor amenity and commercial space scheme. Inland Partnership the contractor entered administration late in 2023. Officers continue to work with the administrator on the way forward and to try to ensure the councils investment is protected.
- **New Enterprise Resource Planning (ERP) System.** A new Microsoft Enterprise Resource Planning system was implemented as part of the transformation programme in April 2023. This is leading to demonstrable improvements in the financial management and human resource information systems there will always be glitches and a period of learning before the council is making best use of such technology.
- **Legal Claims.** Covering various matters such as planning, highway, car parking, social care, or staffing, numerous legal claims have been logged against the council.
- **Loss or disruption to IT systems and Networks from a cyber-attack.** Such actions can incapacitate essential networks by encrypting or destroying data on which vital service depend. Financial loss is common through both direct loss of funds as well as recovery costs and reputational damage. Recent ransomware attacks are reports to have cost councils between £10m and £12m in damage.

142. 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 where the risk is likely to materialise

Background papers

February 2023 Budget and Medium-Term Financial Plan 2023/24

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=284&MId=5032&Ver=4>

July 2023 Financial Outturn Report 2022/23

July 2023 Medium Term Financial Plan (MTFP) Update

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5359&Ver=4>

Budget Monitoring 2023/24 at Quarter One

September 2023 Responding to the Best Value Notice

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5360&Ver=4>

November 2023 Medium Term Financial Plan (MTFP) Update

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5363&Ver=4>

December 2023 Medium Term Financial Plan (MTFP) Update

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5364&Ver=4>

The full consultation report is available on the council's engagement website

<https://haveyoursay.bcpccouncil.gov.uk/budget>

Appendices

Appendix 1a Corporate Strategy A4

Appendix 1b Consideration of s114 report

Appendix 1c Analysis of Budget Consultation Exercise

Appendix 2 Schedule of Council Tax Charges 2024/25

Appendix 3 Key Assumptions

Appendix 4 Absolute MTFP

Appendix 5 Budget Summaries

Appendix 5a Savings Schedule 2024/25 Onwards

Appendix 5b Service Statements Operations

Appendix 5c Service Statements Operations

Appendix 6 Transformation Investment Programme including Flexible Use of Capital Receipts

Appendix 7 Capital Investment Programme (CIP) Overview & Narrative

Appendix 7a CIP Individual Project Listing

Appendix 7b CIP IT&IS Capital Infrastructure Investment Plan

Appendix 8 Asset Management Plan

Appendix 9 Treasury Management Strategy

Appendix 10 s25 Report of the CFO (Robustness of the budget adequacy of reserves)

Appendix 10a Reserves Summary and Detail Statement

Appendix 11 ENIA

Appendix 12 Chief Officer Pay Policy 2024/25