Key Assumptions

Service Pressures, Corporate Cost Pressures & Additional Resources, Savings, and Efficiencies

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						
Adjustment - Assumed Transformation savings not rebased	(6.7)	6.7	0.0	0.0	0.0	**6.7**
Transformation Base Revenue Cost	4.5	0.0	0.0	0.0	0.0	**0.0**
Salary Costs charged to Transformation	(3.2)	2.4	0.8	0.0	0.0	**3.2**
Debt Capital Repayment - Minimum Revenue Provision	13.6	(8.7)	0.5	0.4	0.4	**(7.4)**
Debt Interest on Borrowings	3.3	0.0	0.0	0.0	0.0	**0.0**
Capitalisation Direction provision	0.2	(0.2)	0.0	0.0	0.0	**(0.2)**
Treasury Management Income	(2.5)	0.8	0.8	1.7	1.8	**5.1**
Pension - Back funding	3.4	0.2	0.2	0.0	0.0	**0.3**
Provision for the Pay Award	4.0	(0.0)	3.8	3.8	3.8	**11.4**
Pay and Grading Project	1.0	0.1	2.5	(4.2)	0.0	**(1.7)**
Redundancy Costs (non-transformation fundable)	2.1	(1.9)	(0.1)	0.0	0.0	**(2.1)**
Investment Properties Income	(5.0)	0.1	(0.1)	0.0	0.0	**(0.0)**
Carters Quay	0.1	0.0	0.0	0.0	0.0	**0.0**
Miscellaneous including levies	(0.4)	1.9	0.5	0.6	0.6	**3.5**
Contingency	2.2	0.0	0.0	0.0	0.0	**0.0**
Additional Investment in Regeneration	0.0	1.4	0.0	0.0	0.0	**1.4**
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	

Appendix 3

The 2024/25 Budget and Medium-Term Financial Plan (MTFP) as presented is based on numerous key assumptions that although they have been informed by many factors such as government announcements, economic forecasts, and trend analysis, are also based on professional judgement. These can be listed as follows.

1. Wellbeing

Service Pressures £15.2m (11.4% increase over the 2023/24 budget for demand and inflationary increases including pay related costs)

Adult Social Care and Commissioning

The MTFP makes provision for an additional gross £26m investment in adult social care services over the 4-year period to March 2028 (£10.1m in 24/25). This pressure, which excludes the impact of the pay award on the services staff, is a combination of:

1) Assumptions around inflationary pressures within the care market. These pressures relate mainly to increases for providers in staffing costs where a significant driver is the consequential impact of changes in the National Living Wage (NLW).

2) The additional funding allocation for the Market Sustainability and Improvement fund will be used to assist moving towards achieving the 'Fair Cost of Care'. The Discharge Fund will be used to meet the increased care costs and speed up hospital discharges.

3) Demographic growth for all client groups is assumed to be demand managed or funded with temporary resources in 2024/25.

The NLW remains a key driver for the cost of care services affecting 70% of the cost of providing personal care. The rate from April 2024 has been confirmed at £11.44 per hour. Therefore, the increase of cost of care in the MTFP has been built on this basis.

The remaining 30% of the cost of providing personal care is driven by other cost of living factors assumed to increase by 3% in 2024/25 in line with CPI as estimated by the Office of National Statistics in November 2023.

From 2025/26 for the remaining 3 years of the MTFP, the assumption is 2% annual increases for NLW and 1.6%, 1.5% and 1.8% for CPI.

It should also be noted that a Mental Capacity (Amendment) Bill has replaced the Deprivation of Liberty Safeguards (DoLS) with a scheme known as the Liberty Protection Safeguards. These arrangements describe the procedures necessary to deprive people of their liberty because of lack of capacity to consent to their care arrangements. The implementation of the new scheme has been postponed again. The council will commit spending on this activity up to any amount funded by the government.

The government remains committed to delivering the adult social care charging reforms and supporting people drawing on care and support, therefore the MTFP reflects an assumption that £5.8m estimated pressures in 2026/27 and further £10.2m in 2027/28 will be fully covered from additional government funding.

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

Housing

The cost of homelessness continues to rise due to the significant increase in demand and the rising costs of accommodation. The annual homelessness prevention grant (HPG) has been supplemented in recent years by earmarked reserves designated to support homelessness, but this reserve is depleting and estimated to be fully utilised by 2025/26. Work is underway to create alternative accommodation options to prevent escalating costs in future years and to be able to meet demand with the in-year annual HPG allocation and base budget provision.

2. Children's Services

Service Pressures £7.5m (8.8% increase over 2023/24 budget for demand and inflationary increases including pay related costs budget)

The MTFP makes provision for an additional gross £23.1m investment in children's services over the 4-year period to March 2028 (before additional specific grants). This pressure, which includes the impact of the pay award on the services staff, is a combination of

1) Care:

a. the service has seen a rise in the numbers of children in care since the beginning of the financial year and the continued increasing complexity of children needing placements. The national picture of the care market evidences significant sufficiency issues and this, in addition to the ongoing cost-of-living growth, has prompted providers to increase their fees.

b. A new government requirement for providers of supported accommodation for looked after children and care leavers aged 16 and 17 to be Ofsted registered and inspected will mean additional cost incurred by the providers will be passed on through placement fees.

c. Local social care market purchasing has been reliant on framework contracts which previously worked well in managing placement costs, however in the past 2 years this has significantly deteriorated. This change has impacted on price and will be addressed through a revised strategy across all placement types with a range of market options.

2) School Transport:

a. cost of special educational needs and disability (SEND) transport is directly linked with the increasing number of education, health, and care plans (EHCPs) and the pressure that continues in the high needs block of the dedicated schools grant (DSG). This grant is ring-fenced and currently outside the general fund budget.

b. SEND transport is however not funded by the DSG and instead the responsibility falls to the general fund budget of the council.

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

3. Operations

Service Pressures £8.5m (13.5% increase over 2023/24 budget largely driven by inflationary increases and loss of income)

The MTFP provides for additional investment over the 4-year period to March 2028 of £8.6m across operations services. This pressure is a combination of:

1) Inflationary pressures for waste disposal and recycling services linked to contracts and market movements of £3.2m (£1.6m allowed for in 2024/25).
2) Reduced income of £0.5m for the bereavement service reflecting the ongoing challenging market conditions from the growth in the direct cremation market and other local facilities.
3) Fuel inflation has been allowed for along with increased prudential borrowing repayments to ensure that the rolling capital programme for fleet vehicles is maintained.
4) Investments in seafront IT system and beach huts, with these additional costs expected to be recovered through additional income.

5) Cost pressures within infrastructure services for sustainable transport with concessionary fares inflation provided going forward, following the rebase in the 2023/34 budget to reflect the trend of reducing journeys.
6) Restoration of £0.4m of budget for the planning service.

4. Pay Award

Local government agreed pay awards for 2018/19, 2019/20, 2020/21 and 2021/22 were 2%, 2%, 2.75% and 1.75% respectively. The National Employers organisation took a different approach in agreeing the pay awards for 2022/23 and 2023/24.

For 2022/23 a flat rate increase of £1.925 on every spinal column point was agreed. For 2023/24 agreement with the Trade Unions was reached on a flat rate increase of £1,925 on every grade up to SCP43 and 3.88% above this level.

In both years the settlements were more than was assumed as part of the budget setting process with the council faced with in-year service pressures and an uplift in the resources that must be set aside as part of the MTFP. Provision has been made as part of the 2024/25 for the consequences of this previous under-provision.

The draft budget for 2024/25 makes provision for a 4.5% pay award uplift across all grades which can be compared to the actual 6.75% average increase for 2023/24. This is based on a benchmarking exercise undertaken by the Director of Finance with near neighbour Unitary Authorities to ensure consistency with the assumptions being made by the sector. The trade union Unison is seeking a view from its members in respect of a 2024 pay claim the main element of which is for an increase of 10% or £3,000 whichever is greater. In future years a 2% pay award provision has been provided for.

In addition, as part of the savings and efficiencies proposals underpinning the 2023/24 budget, provision was made for only 95% of each service's employee establishment to allow for the impact of turnover and other matters on the actual cost of the service. Previously the assumption varied between services, of between 95% and 98%. Monitoring of the 95% assumption is being undertaken as part of the in-year quarterly budget monitoring with indications showing some areas are finding it difficult to achieve the target. In addition, services are also expected to manage the impact of any incremental drift in their pay base.

5. New Pay and Grading Structure

A key requirement following the establishment of BCP Council was to create a single new pay and grading structure. The proposed 2024/25 budget reflects, for financial planning purposes, a proposed implementation from 1 December 2024, with a proposed uplift in the pay bill from that point in time onwards. The council will however endeavour to deliver at the earliest date achievable. In line with the normal annual protocols put in place with managers the assumption is that budget holders will manage within their budgets any additional incremental drift associated with the new arrangements, as with the current arrangements. An amount of £269k in one-off resources have been set aside to fund the cost of the implementation team in 2024/25.

6. Pension Fund

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

The fund was last revalued as of April 2022 and the impact was agreed with the pension fund actuary in November 2022. The March 2022 position for BCP Council was a funding deficit of

£53.2m with a resulting funding level of 95.9% as outlined below, compared to a funding deficit of £86.6m on 31 March 2019 relating to a funding level of 91.9%.

Figure 1: BCP Pension Fund – funding levels

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

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

Figure 2: BCP Pension Fund contributions agreed with the actuary:

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

In comparing pay rates with those of other employers, it is important to recognise that the council has a total contribution rate of more than 22%. Many private sector companies will be making only a 3% minimum pension fund contribution.

7. Inflationary Costs

Inflation is only provided for in service directorate budgets where it can be demonstrated that it will be needed due to either market or contract conditions. Inflation as of September 2023, which is applied or factored into several contractual uplifts, was 6.7% as measured by the (CPI) Consumer Price Index. In November these rates fell to 4.6% CPI and 6.1% RP respectively.

The 2023 Autumn Statement predicts inflation to be 3% CPI and 4.3% RPI during 2023. Government inflation target remains at 2% on an annual basis.

One area of cost pressure which has specifically previously been provided for is the inflationary pressures within utility costs particularly those relating to electricity and gas. This cost is especially significant within the Operations directorate and within that, particularly the electricity cost associated with street lighting.

8. Treasury Management Income

The MTFP assumes a £0.8m reduction in treasury management income during 2024/25. The consensus of most economists is that the current base rate of 5.25% has now reached its peak. Market expectations are that we will start to see a reduction in the base rate during the summer of 2024, assuming inflation and wage/employment data support such action from the bank of England.

Another key element to consider with investment income is the actual cash balances held by the authority. The Council continues to employ an internal borrowing policy which has avoided taking out additional external debt and the associated interest payable. However, this policy is finite and is under further pressure from the impact of the DSG deficit. The DSG deficit is cash that could have been retained in the Council cash balances and earnt a return. As an example, the average deficit of £77m for 2024/25 invested at 5% could have earnt the authority an additional £3.9m in interest.

9. Debt Capital Repayment – Minimum Revenue Provision

The Treasury Management Strategy is presented annually to Council alongside the budget after first having been considered in detail by Audit & Governance Committee. As part of this process the Council is required to periodically review the approach taken to the annual minimum revenue provision (MRP) for the repayment of debt.

The overriding requirement is to set a prudent provision which ensures that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefit. Working with the Council's Treasury Management Advisors, Link Group, opportunities were identified to move to a more suitable and cost effective MRP strategy whilst ensuring the provision remains prudent and compliant with statutory guidance.

The proposed revised approach will be to move to an annuity basis, as per most household mortgages, rather than either a straight line or reducing balance method. This approach, which is used by over 60% of Authorities throughout the country, will lead to a £8.7m reduction in the level of provision that would otherwise have been made in 2024/25.

Ongoing consideration will be given to whether it would be appropriate to provide a voluntary revenue provision (VRP) to enhance the level of prudence around the MRP provision.

A consideration within this will be the recent decision of Council to reduce the authority's debt threshold from £1.334bn to £755m which significantly reduces the exposure to borrowing risk.

10. Investment in Regeneration

As a recommendation of "The future of BCP FuturePlaces Ltd, investment and development" report to Cabinet on the 27 September 2023 provision has been made for the in-house delivery of regeneration accompanied by a principle of capitalising such costs where appropriate to do so. This reflects the additional cost of the new Investment and Development Directorate including any staff transferred from BCP Future Places Ltd. It should be highlighted that this pressure is subsequently removed in the savings schedule as part of a decision to fund this service through a £4m Earmarked Reserves created via the business rates surplus resources.

11. Local Council Tax Support Scheme (LCTSS)

Cabinet at its meeting on the 13 December 2023 agreed that there should be no change to the Local Council Tax Support Scheme for 2024/25. This means that the council has applied a consistent policy from 1 April 2019 onwards.

Ongoing consideration will be given to changing the existing LCTSS to a 'banded scheme' reflecting evolving best practice to reduce the burden of administration for both claimants and the council. Any changes proposed would not be designed to reduce expenditure on LCTSS but to deliver operational and administration efficiencies and better meet the needs of residents. This change is not likely to be put forward until after the implementation of a new Revenue & Benefits system in the autumn of 2024.

As of 1 January 2024, BCP Council is helping 23,117 claimants under the LCTSS a reduction of 2.9% over the previous 12-month period.

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

12. Government Grants - Assumed £9.942m additional funding for social care funding in 2024/25 (£18.032m over 4-year period of the MTFP)

Trends analysis shows that the government have made additional grant funding for social care available in every year since 2015/16. Over the years grants have increased inconsistently but average at 31% increase per year. Provisional allocations indicate an increase of around 9% only for BCP Council in 2024/25. Whilst grants have been announced only up until 2024/25, the trends shows that new money has continued over the years, therefore the MTFP assumes that the current social care grants are ongoing.

The Social Care Grant was introduced in 2020/21, as a grant ringfenced to support social care for adults and children and now includes the Independent Living Fund. This grant increases by £4.5m in 2024/25 to a total of £30.06m, an increase of 18% against a 67% increase in 2023/24. In BCP, £22.65m will be used by Adult Social Care and £7.41m will be used by Children Social Care. The Social Care Grant is estimated to increase by £2.3m (8%) in 25/26 and subsequent years due to uncertainties of government funding and the inconsistent increases experienced through the years.

The Improved Better Care Fund is frozen at £13.44m for the second consecutive year and has been assumed to remain at the same level for the MTFP period.

The increase for the Better Care Fund of 5.66% in 2024/25 is in line with NHS Dorset expectations. The MTFP assumes an increase of just over 3% for subsequent MTFP years due to lower inflation forecasts.

The Market Sustainability Fund initial allocation for 2023/24 was £4.1m. A second tranche was announced during 2023/24 and BCP Council received further £2.661m. The total of this grant was nearly 6 times than in 2022/23. For 2024/25, BCP Council will receive £6.14m which although higher than the initial 2023/24 allocation, it is 9% lower than the combined two tranches received in 2023/24. This grant is estimated to remain at the same level for the following MTFP years due to uncertainties of government funding and inconsistent increases.

The Government has also confirmed the continuation of the Adult Social Care Discharge Grant for 2024/25 which is expected to increase by 67% to £3.14m, then to remain at the same level for the remainder of the MTFP due to funding uncertainties mentioned in the paragraphs above.

13. Business Rates Collection Fund Surplus / Deficit

BCP Council is required by statute to maintain what is known as a Collection Fund which is where Council Tax and Business Rates are accounted for. The Collection fund is separate from the General Fund (GF) of the Council due to the need to collect income on behalf of other preceptors such as Police and Fire. The income from the Collection Fund to the GF is an estimated fixed draw down, set out as part of the Councils budgetary process. If there is more or less income than the estimated fixed drawn down, then surplus or deficits can be created in the fund. Any surplus or deficits again must be estimated and are fixed movements between the GF as part of the budgetary process.

As part of the approved financial strategy work has been undertaken, supported by independent experts, to fundamentally review the Business Rates Collection Fund as the position starts to stabilise in a post pandemic environment. This work has enabled the ongoing assumption of base revenue budget resources to be increased as well as providing one-off resources which will be applied to one-off items within the 2024/25 budget and MTFP.

Our current financial planning assumption is that the council will retain £65m in business rates and Section 31 grants for 2024/25, excluding the impact of prior year surplus and deficits. This is an improved position compared to the 2023/24 budgeted amount as the impact of the revaluation for 2023 meant an overall increase in business rates valuation for the BCP Council area of 9.5%, compared to the last revaluation in 2017.

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

Due to the risk and uncertainty around business rate appeals BCP Councils had maintained high levels of provision to offset any successful claims. A review by an independent specialist has shown that this provision accrued over a number of years can now be released as a one off to the Collection Fund which in turn creates a surplus. The estimated share of this surplus for the Council in 2024/25 is £25.2m.

14. One-Off Resources

As part of the normal annual budget process the council is required to review the brought forward and forecast position on each of its collection funds (business rates and council tax) and make provision for the forecast year end surplus or deficit as part of the following years budget.

Based on the fundamental review undertaken in respect of the business rates collection fund the forecast surplus is being treated as an exceptional one-off resource rather than as just as part of the standard budget setting arrangements.

A schedule of how these resources will be applied is set out in figure 3 overleaf. In summary it is being applied to the delivery of outcomes in support of the financial sustainability of the council and enabling the phasing of savings over a defined time periods.

Figure 3: Application of one-off resources

	£000s
Resources Available - Business Rates Collection Fund (Surplus)	**(25,281)**
Application of Resources	
a) Resources set aside to support regeneration ambitions over next 4 year period Includes resources to fund the staff transferred by BCP FuturePlaces Ltd over next 4-year period	4,000
b) Russell Cotes Museum *(separate 7 February 2024 Cabinet report)* £2m One-off dowry payment + £250k one-off maintenance dowry payment £626k Base budget removed from 1 April 2024 but do not become self sufficient until 1 October 2025 £50k Base budget for corporate maintenance removed from 1 April 2024 therefore £75k provision 1/10/25	3,264
c) Climate Change and Ecological Emergency Resources to top up the project budget, via an Earmarked Reserve, to £1m	452
d) Children's Services - Improvement Expenditure One-off investment in the Children's Services, Building Stronger Foundations Programme, December Cabinet	522
e) Bournemouth Air Festival £200k One-off funding for 2024/25 only, and £100k towards the base budget contingency.	300
f) Pay and Reward One-off implementation costs for 2024/25	269
g) Christmas Events £200k One-off funding for 2024/25 only.	200
h) Transitional implementation of specified savings proposals Resources to enable specific savings proposals to be implemented over a transitional period	2,773
i) Contingency Resources set aside in support of the potential for optimism bias in the £41m of 2024/25 proposed savings	5,654
j) Resources to support the balancing of the 2024/25 Budget Resources to enable the setting of a balanced MTFP	7,847
Resources Applied	**25,281**

15. Council Tax – Taxbase

Cabinet at its meeting on 10 January 2024 agreed to the determination of 146,342 as its council taxbase for 2024/25 which is the number of Band D equivalent properties over which the council's council tax for the year will be charged. It is based on the principle that every domestic property is valued by the Valuation Office Agency and placed in one of the eight valuation bands, based on its value as of 1 April 1991 (houses built after this date have their value as of April 1991 estimated at the time of their first sale). The amount of council tax paid varies according to the valuation band as follows:

Figure 4: Council Tax Valuation Bands on 1 April 1991 and calculation

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

A comparison of the BCP Council Taxbase between years is set out in figure 5 below.

Figure 5: Analysis of the council tax taxbase between Towns.

Town	Council Tax - Taxbase		
	2023/24	2024/25	% Variance
Bournemouth	64,842	65,603	1.2%
Christchurch	20,975	20,976	0.0%
Poole	59,022	59,763	1.3%
Total	**144,839**	**146,342**	**1.0%**

The council tax, taxbase growth reflects four main factors.

1) Improved collection rate as the position begins to stabilise after the global pandemic.
2) Reduced cost of the Local Council Tax Support Scheme (LCTSS).
3) Actual and forecast additional homes within the conurbation.
4) Implementation of a 100% premium for empty homes after 1 year rather than 2.

Overall, the increase in taxbase is anticipated to generate £4m additional revenue in 2024/25.

Members are reminded that Council on 12 July 2022 agreed, subject to the passing of the Levelling Up and Regeneration Bill, to.

a) reduce the qualifying period for the empty homes' council tax premium from two-years to one-year from 1 April 2024 onwards to reinforce the incentive for owners to bring empty properties back into use.

b) levy a council tax premium of 100% from 1 April 2025 to support the council in addressing the impact of second homes, as defined as a dwelling occupied periodically (there is no resident of the dwelling, and the dwelling is substantially furnished).

To levy the second homes council tax premium an authority first needs to make a determination at least one-year before the beginning of the financial year to which it relates and to enact the determination it must be publish a notice in at least one local newspaper 21 days before the determination date. The formal determination was approved by Council at its meeting on 9 January 2024. The MTFP includes the following assumptions.

a) An estimated extra £900k from 1 April 2024 from bringing forward the change in the empty homes' council tax premium qualifying period to one-year from two.

b) An estimated extra £6m per annum from 1 April 2025 from the application of the 100% council tax premium on second homes. This is reduced to £5.650m net of the extra staff that it is estimated will be required to support and administer the new arrangements as there is currently no mechanism in place to identify a property as a second home. This will be subject to further significant due diligence. The forecast has been constructed based on local knowledge around homes that used to get the 50% second homes council tax discount updated for any subsequent information gathered. There is currently no incentive for homeowners to make the council aware that a property is a second homes as they pay the same council tax rate as if it was their main residence.

16. Schools Forum

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

The BCP Schools Forum has a complement of twenty-four members with representation from all categories of schools. Two meetings were held over the autumn and one in early January 2024, with recommendations and decisions made for the BCP Council budget regarding school funding through the ring-fenced DSG.

17. Dedicated Schools Grant (DSG)

The gross DSG of £363m provides funding for mainstream schools for pre 16 pupils, private, voluntary, and independent nursery providers, a small range of central school services (for example, school admissions) and specialist provision for children and young people with high needs. High needs budgets include funding for mainstream schools and specialist providers to support pupils with education, health, and care plans (EHCPs) aged 0-25, and those educated out of school, for example due to permanent exclusion or medical needs. Academies are funded from the gross DSG allocation but with amounts subsequently recouped by the DfE to enable the budget share for pre 16 pupils to be paid directly by the Education & Skills Funding Agency (ESFA).

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

The council brought forward a DSG accumulated deficit of £35.8m in April 2023 due to the now recognised national underfunding of the high needs budget. The deficit was budgeted to grow by £27.1m during the current 2023/24 financial year. The deficit arises from the restrictions in how funding can be moved between blocks with it not possible to reduce expenditure to balance the account as well as meet the statutory education entitlements of pupils identified with high needs. The 2023/24 quarter three budget projection is a further £0.1m shortfall. The projected accumulated deficit is as follows:

Figure 6: Summary position for dedicated schools grant at March 2024 and 2025

	£m
Accumulated deficit 1 April 2023	**35.8**
Budgeted shortfall 2023-24	27.1
Projected overspend	0.1
Projected deficit 31 March 2024	**63.0**
Projected high needs funding shortfall 2024/25	29.4
Surplus schools block funding (0.1%)	(0.4)
Projected deficit 31 March 2025	**92.0**

The Department for Education (DfE) strategy for tackling the national problem of accumulating deficits on the DSG due to the expenditure on the high needs block has been through the delivering better value (DBV) and safety valve (SV) programmes.

BCP Council was part of the DBV programme in 2022 with a grant of £1m secured for 2023 to support improvements in the local (SEND) system. This programme found no solution to the rising high needs funding gap and in July 2023, the council was invited to take part in the SV programme.

The estimated funding gap of £29.4m in the high needs budget was included in the DSG management plan submitted to the DfE in December 2023 as part of the draft safety valve submission. The contribution from surplus mainstream schools funding was agreed by Schools Forum in December 2023.

Final DSG school block allocations and school data to calculate funding for mainstream schools were received from the DfE on 19 December 2023. This provided the estimated surplus of £0.4m (0.1% of school block funding) as shown in the table above. Consideration of a full 0.5% transfer of £1.3m was considered with Schools Forum in January 2024 and this was not agreed. The DfE has been approached to override Schools Forum and permit a transfer of funding of 0.5% as included in the final DSG management plan submitted on 12 January 2024. Also, as part of the safety valve submission, the DfE has been requested to fund the remaining funding gap. The outcomes of these decisions are outstanding at the time of drafting this report and may change the projected accumulated deficit shown in the above table.

The 15-year DSG management plan included a gradually reducing funding gap from 2025/26 with a 1% contribution from the schools block each year as a minimum. The estimated accumulated deficit in the absence further funding is shown in the table below:

Figure 7: Accumulating deficit on the Dedicated Schools Grant

	Balance Actual 31/3/23 £m	Balance Estimate 31/3/24 £m	Balance Estimate 31/3/25 £m	Balance Estimate 31/3/26 £m	Balance Estimate 31/3/27 £m	Balance Estimate 31/3/28
Dedicated Schools Grant	(36)	(63)	(92)	(116)	(140)	(164)

18. High needs block - £60.9m

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

19. Early years block - £35 million

The early years block funds the local early years single funding formula (EYSFF) as well as a range of council services supporting the early years free entitlements.
In the government's 2023 Spring Budget, the Chancellor announced a major expansion of childcare support aiming to remove barriers to work for parents with children under three in a bid to help more parents return to work. This is to be in the form of up to 30 hours

childcare support for every child over the age of 9 months with working parents by September 2025.

The expansion for 2024/25 is 15 hours of free childcare for working parents of 2 year olds (currently available only to those on low incomes) from April and of children over 9 months from September.

The amounts centrally retained to support the free entitlements is to be agreed by Schools Forum in February 2024. At the same meeting a recommendation is to be made to the council regarding how funding should be allocated to providers through the early years single funding formula with the decision planned for to be made by Cabinet in March.

20. School's block - £264.8 million

The national funding formula (NFF) for mainstream schools funding provided a £5.1m (2.0%) increase for 2024/54 due to uplifted national formula values, updated local school data and net pupil numbers growth in secondary schools.

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

Also included in the school's block is funding for pupil growth in mainstream schools from September 2024. These allocations are made to schools where growth meets specific national criteria. The DSG allocation has increased slightly compared with last year and decisions regarding allocations for schools have been made by Schools Forum as required.

21. Central school services block - £2 million

The funding is provided largely through a national formula for on-going functions with the per pupil rate increasing annually. There is also funding for specific local commitments. Funding in this block supports specific central services for all schools and the DSG budgeting system. The School's Forum agreed in December that the council budgets can be set at the level of funding.

22. Maintained schools

On 1 April 2024, one further maintained secondary schools is planning to convert to academy status. BCP will then have 14 maintained schools plus the Christchurch learning centre to maintain. Funding to continue statutory services for maintained schools is to be provided from central retention of maintained school budget shares through agreement of maintained schools representatives at School's Forum. This retention totalling £0.2m has been agreed by the relevant members of the School's Forum but this will be reduced for any schools converting to academy status during the year. A separate de-delegation of funding to continue school improvement functions for maintained schools previously funded by DfE grant has also been agreed. Funding approval through the School's Forum for these statutory services needs to be sought each year.

23. Academies

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

24. Education & Skills Funding Agency (ESFA)

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

25. Pupil premium for schools

The pupil premium is funded by the DfE and is passported to schools. It is allocated according to the number of pupils eligible for free school meals (FSM) from low-income criteria, Children in Care or adopted, and of forces personnel with funding rates uplifted by between 1.4% and 1.7% for 2024/25.